

# Nation's Business

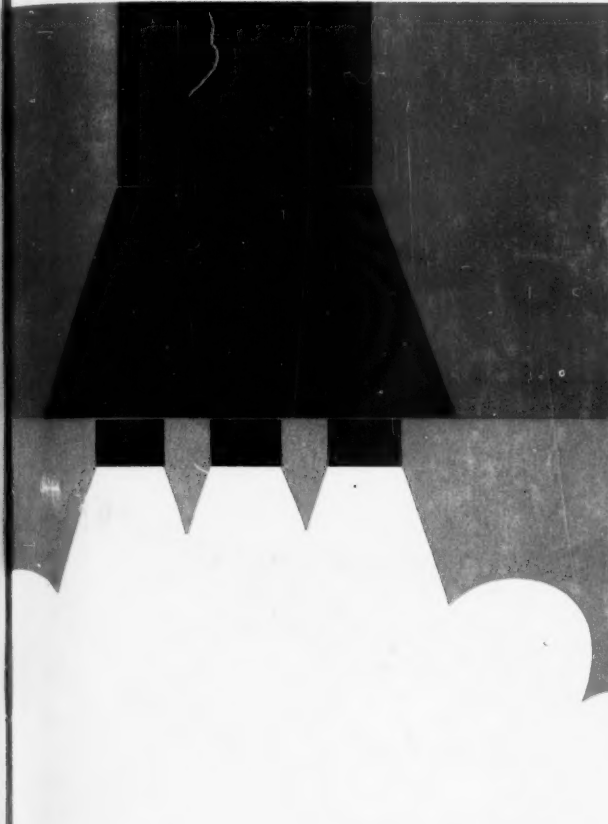
A USEFUL LOOK AHEAD

MARCH 1961

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OF MICHIGAN

MAR 3 1961

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**YOU CAN GET  
MORE DEFENSE  
FOR LESS  
MONEY**

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False claims in school control drive **PAGE 42**

Eight steps to better training **PAGE 40**

Your prices face more controls **PAGE 38**

Red slant reaches 10 million U.S.

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# Can You Call a Man a "Failure" at Thirty?

*Men who think that success is only a matter of "a few years" are failures . . . however young they are!*

How often have you heard some young man in business say, "I'll admit the job I have now isn't much but, after all, I'm only in my twenties."

Or: "Just about every executive in the company I work for is between 45 and 65. I have plenty of time to get ahead."

This *mistaken* idea that success comes automatically with time is easy to understand. Promotions do come regularly and effortlessly to young men of promise. *But* the day arrives, often abruptly, when that promise must be *fulfilled*. Native ability and intelligence can carry a man only to the mid-way point in business—beyond that he must *prove* his capacity to justify a position of executive responsibility. That calls for a practical, working knowledge of business fundamentals.

The time to build that knowledge—to lay a solid groundwork for your future progress—is now . . . *now* while time is still on your side. If you fail to recognize that fact, you'll know only struggling, skimping and regret when your earning power should be at its height.

## FOR THE BUSINESS MAN WHO REFUSES TO STAGNATE



**H**ALF the world is half asleep!

Men who could be making twice their present salaries are coasting along, hoping for promotions but doing nothing to bring themselves forcefully to the attention of management. They're wasting the most fruitful years of their business lives... throwing away thousands of dollars they'll never be able to make up.

If you want to discover how to start to succeed while you're still young—if you want to avoid the heartbreak of failure in later years—send today for "Forging Ahead in Business"... one of the most practical and helpful booklets ever written on the problems of personal advancement. You will discover

what the qualifications of an executive are in today's competitive market... what you must know to make \$15,000, \$20,000 or more a year... what you must do to accumulate this knowledge.

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# Nation's Business

March 1961 Vol. 49 No. 3

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*"Our business grew so fast  
we had 'paperwork' problems—  
and even data processing  
couldn't fully solve them."*

—says James P. Jacobs, President, Hardware Mutuals -  
Sentry Life insurance group, Stevens Point, Wisconsin

## ***Insurance firm speeds***



Communications Consultant Lee Destache (left)  
discusses a Data-Phone unit with Hardware  
Mutuals-Sentry Life president James Jacobs.



*"I prescribed Data-Phone, the  
new Bell service that lets  
business machines 'talk' over  
regular telephone lines."*

—says Lee Destache, Communications Consultant  
for Wisconsin Telephone Company

# data handling 500%!

A new Bell System service—Data-Phone—is helping the Hardware Mutuals - Sentry Life insurance group greatly speed policyholder service and is helping to save the firm a million dollars in annual operating costs.

Data-Phone enables Hardware Mutuals to send volumes of insurance data in business machine language by telephone from its nationwide branches to its data processing center in Stevens Point, Wisconsin. Data-Phone calls are made like ordinary phone calls. And once the connections are made, data is sent rapidly from one business machine to another.

It's the largest data communications system of its kind in the nation.

This pioneer installation followed a thorough examination of Hardware Mutuals' operations by Bell System Communications Consultant Lee Destache. He found their business volume had doubled in ten years and was expected to double again in even less time. Costly paperwork was mounting—and, even with modern data processing equipment, rapid collection of

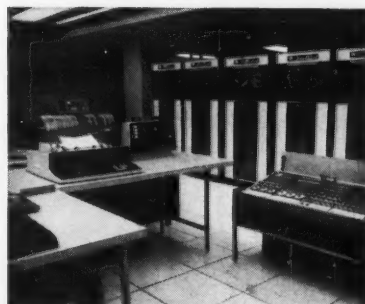
daily operating data from their widely scattered branches was becoming more and more difficult. Data-Phone was the logical solution.

. . .

Hardware Mutuals' president, James P. Jacobs, says: "Our use of modern data processing equipment and the new Bell System Data-Phone lets us collect the mass of information we need for management decisions almost instantly. It has cut the time needed for certain policy-handling functions from three days to three minutes. And it is reducing our operating costs more than a million dollars a year."

"Data-Phone is an important factor in our cost savings because we pay for telephone circuits only when we are actually using them. No leased private lines are necessary because Data-Phone works over the regular telephone network."

"Speed, accuracy and good service are vital to our business—and Data-Phone has contributed to all these elements. We're giving policyholders faster, better service than ever before."



This is the insurance company's modern data processing installation.

*We couldn't have found a better solution to our problem."*

. . .

This is just one example of many new services the Bell System is developing for the special needs of business today—and of the way Bell System Communications Consultants like Lee Destache are meeting those needs.

Are your communications helping your profit picture as much as they might? Find out for sure. Call your Bell Telephone Business Office and ask for a Communications Consultant. Do it today.

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# management's WASHINGTON LETTER

## ► BUSINESS OUTLOOK:

Chances are that you're living now in thickest part of '61 gloom.

Fog on economic horizon will start disappearing with coming of fresh spring breezes.

After that U. S. economy will be headed toward full boom.

## ► TRENDS POINT to this probability:

Production of all goods and services--\$503 billion last year--will rise to an estimated \$517 billion annual rate by end of this year.

That's consensus of economists in Washington noted for accurate predictions.

Watch for gross production to be running at annual rate of \$528 billion a year from now.

## ► YOU CAN EXPECT more bad news before the good starts coming in.

Here's why:

Business data you'll be getting from Washington this month and next reflect winter slow-up that follows Christmas.

Reflects, too, worst winter weather in many years.

In two to three months you'll begin hearing news of business improvement.

Big gains will follow.

That'll put economic activity charting upward impressively as '62 rolls around.

## ► NEXT BUSINESS NEWS you'll get from Washington will show that production schedules have slowed.

Variety of reasons will be given.

Don't overlook these:

Survey shows nearly 200,000 workers stayed away from their jobs because of bad weather.

About 980,000 didn't get to work because of illness.

More than 337,000 were on vacation.

Add labor disputes, all other reasons why employees weren't on the job and you come up with more than two million who usually work but who were not on the job when survey was conducted.

## ► ONE THING that would help business now would be a good shot of optimism.

But don't count on it from Washington.

Remember this:

Liberals have a legislative program

they want to get approved by Congress.

Scare talk, they think, will help them get public approval for some of the big measures they've been pushing for years.

Look at wage controls.

Two years ago, when business was good, liberal forces pushed hard for congressional approval of higher lawful wage minimum and broadening of coverage.

New Frontiersmen now are talking about how bad business is--and want to add heavily to already hard-pressed business costs by boosting minimum pay 25 per cent in next two years.

Would higher pay shrink unemployment?

Emphatically not.

Surveys indicate large numbers of employees would be added to jobless rolls as result of uneconomic pay boosts.

Profits, too, would shrink.

This would force business failures to go up sharply.

Congress also is asked to boost business taxes to expand social security benefits, to subsidize depressed area development, to put Uncle Sam on your local school board.

Would all this stimulate business?

Not at all.

In short: You're getting plenty of politics served with your economics.

Note: Timetable for upturn is detailed on page 63.

## ► IS SOMETHING basic really wrong with business?

Yes--tax reform is needed.

Plenty of economic progress is being made.

But more progress would be possible if taxes permitted it.

Look at these economic facts:

Business in past five years has had \$47.2 billion in profits left over after paying dividends and taxes.

Direct corporate income taxes in that period amount to \$105.9 billion.

Indirect business taxes by federal, state, local governments amount to a total of more than \$200 billion.

Business contributions to social insurance amount to almost \$80 billion. (Payments next year are expected to be double the cost in '55).

Look at plant and equipment spending by business:

Total outlay for past five years has

been more than \$170 billion.

How to boost economic progress?

Best medicine would be tax reform.

Creating new jobs requires an investment average of nearly \$20,000 per job.

More than 1.4 million young men will have eighteenth birthdays this year.

That foreshadows the future.

Business incentive to invest in new jobs will have to be raised importantly in years ahead.

If jobs aren't created fast enough, country's jobless rates will climb.

►RISE IN GOVERNMENT spending is gaining momentum.

Bigger-than-average increase is coming this year.

Projection of government expenditures --federal, state, local--for goods and services indicates a probable rise of at least \$7.3 billion in outlays this year.

That compares with about \$2 billion increase last year.

Of the total increase expected, about \$3.5 billion will be in state and local spending.

About \$3.8 billion will be in federal expenditures.

►GOVERNMENT--currently aiding business advancement through higher spending--could be a major cause of growth sag in the first place.

Economists, studying new information, are coming to that conclusion.

Analysis shows these trends:

Federal buying of goods and services amounted to \$53.3 billion in '59.

Gradual decline in government spending was under way at year-end.

Decline steepened in early months of '60, touching low point of \$51.7 billion annual rate at midyear.

Consumer buying meanwhile continued to go up, didn't level off until fall months after much talk about recession possibility.

Consumer reaction to recession talk was to curtail purchases of durable and nondurable goods, although spending for services has continued to rise.

It's noteworthy that consumers could have continued to expand their buying.

Incomes kept rising.

But cautious consumers began to hold back slightly on their purchases.

Savings, already high, were boosted impressively.

From savings rate of \$6.80 per \$100 of after-tax income in early '60, Americans during fall months began to save \$8.20 per \$100.

That boosted rate at which Americans were saving from current income to almost \$30 billion a year--highest ever.

Now government spending is increasing again.

This will stimulate economic activity to some extent.

But New Frontiersmen are holding to the line that the "U. S. economy is in trouble."

Consumers cannot be expected to react optimistically as result of pessimistic pronouncements by politicians.

You can expect consumer optimism to come back slowly.

But it will come back because about 65 million Americans do have jobs with good pay and personal savings were never higher.

►THESE TRENDS in personal consumption are expected:

Total consumer expenditures will drop about one per cent, then start edging upward during remaining months of this year.

Personal consumption--roughly \$330 billion now--will climb to an estimated \$360 billion next year.

►ECONOMIC BOOST will come soon from federal tax refunds.

Internal Revenue Service expects to refund about \$6.2 billion by mid-May.

Money represents overpayment of taxes on 1960 income.

About 36 million taxpayers will get an average \$139 apiece (compared with \$118 last year).

That's total of about \$5 billion.

Additional refunds amounting to about \$1.2 billion will go to corporations, partnerships, other businesses.

But don't forget:

Some people, filling out tax forms, will find they owe Uncle Sam something additional.

Total sum to be paid in is estimated at about \$1.5 billion.

That means net impact of tax refunds will be in neighborhood of \$4.7 billion.

# management's WASHINGTON LETTER

Importance to economy is that refunds are widely spread among people who can be expected to spend quickly.

► **SALES ABROAD** currently are running at close to \$20 billion a year.

Imports are running a little higher than \$15 billion.

Both will rise this year.

Exports may climb to \$21.5 billion, maybe \$22 billion.

Imports may go up to \$16 billion.

Trade with Canada, our largest foreign customer, remains approximately same as year ago, but some increase is expected this year.

Same is true with 20 Latin American republics.

Exports to Venezuela, formerly one of the largest buyers of U. S. goods, are slipping badly, have fallen to lowest level in five years.

Sales to Cuba, also a good customer before Castro led that country into the red orbit, are virtually halted.

But sales drop in these two countries is made up by increasing purchases from other Latin countries--particularly Mexico, Argentina, Chile, Colombia, Uruguay.

Total purchases by Latin republics, now about same as year ago, are expected to rise this year.

► **BIG TRADE INCREASES** have come from stepped-up buying by Japan and Western Europe.

Expansion of exports to these nations will continue, although at a somewhat slower rate this year.

Over-all trends indicated:

Our exports exceeded imports by about \$4.5 billion last year.

This year watch for exports to top imports by \$5.5 billion, maybe as much as \$6 billion.

► **YOUR FREEDOM** to cut costs to meet competition will be under heavy union attack this year and next.

Unions will seek wage hikes.

But union power also will be used to keep employers from making cost reductions through work-rule changes, new transportation techniques, automation, shifting production to lower-cost parts of the country.

Where changes are made, union bosses will demand penalties be paid.

These actions foreshadow the future:

Teamsters Union wants long-distance haulers to pay one cent a mile (with a \$5 minimum) for every truck-trailer shipped piggyback on railroads.

Money would be paid by truckers into union's welfare or pension fund.

Matter has been referred to joint labor-management committee for study, with understanding that \$5 fee will be imposed if no agreement is reached in a year.

West Coast waterfront employers are forced to pay \$5 million a year into a union fund in return for right to reduce size of the loading dock crews by using automatic loading equipment.

Clothing manufacturer is paying a royalty to union representing employees in his U. S. plant for every dress he manufactures in his foreign plant and brings to this country.

Ladies' garment manufacturer pays a union in New York plant what company saves through lower wages paid to non-union workers in southern plant.

Some New York garment manufacturers are forbidden by their union contracts to move to lower-cost areas.

One who did has been ordered by the courts to move back and compensate former New York employees for wages lost on account of the move.

► **PROGRESS:** Americans will spend an estimated \$19.5 billion this year on public education.

That's highest ever, up \$6.3 billion since '56.

See page 42 for details on education issue that'll get top billing in Congress during months ahead.

► **JOBS:** An average of 19 factory workers per 1,000 were laid off last year while 11 quit their jobs.

That means:

About three workers quit their jobs for every five who were laid off.

► **GOVERNMENT SUBSIDY:** Average income per farm now is \$2,640.

Government spending for agriculture and agricultural resources averages equivalent of \$1,100 per farm.





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## Business opinion:

# Federal wage-fixing called a cruel hoax

READING "Wage-Fixing Will Cost Jobs" [January] I was struck with the sentence:

"So the humanitarian objective of the minimum wage law—to raise the living standards of low-income people—could be subverted."

Now, you know or should know that the objective of the minimum wage law proposals has nothing to do with humanitarianism. Statements like that do a great disservice both to truth and the country. To credit the proponents with humanitarian motives is to accuse them of stupidity.

The objective of the politician is to build a picture of himself with angel's wings as a vote-getter. What is humanitarian about legislating a person out of employment because he has not the physical or mental ability to earn a given stipend?

Any such device at best can offer but temporary relief. Such legislation may get the handicapped more dollars, but it cannot long get them more bread and to represent otherwise is a cruel hoax.

Let's not help with the deception.

FORREST ANDREWS  
Attorney  
Knoxville, Tenn.

If the minimum wage is increased to \$1.25 an hour and takes in retail stores, restaurants, etc., the retailer will automatically increase his purchases of foreign-made material to gain a price and profit advantage to cope with such an increase. By so doing he will greatly increase our unemployment problem.

We do not need increased wages to bolster our economy; we need stability. When our government and unions understand this, then we can forge ahead with many new products that can add jobs and profits to our economy.

HAROLD S. SMITH  
Smith Manufacturing Co.  
Chicago, Ill.

## Voluntary programs

I was appalled by your article, "States Move Fast to Care for Aged," [February]. The states are not moving fast to care for the aged. By your own admission only six states (12 per cent) are participating in the so-called voluntary plan, and

another dozen are "getting ready."

I see little encouragement in the fact that 3,000 older persons are receiving benefits in Michigan, a state of almost eight million population. And I wonder what percentage of the 15.7 million senior citizens will be covered by 50 medical care plans. Or if benefits will be available to them if they move to other states.

Why is the state-federal partnership plan "voluntary" and medical care under Social Security a "compulsory federal scheme"? Aren't you aware that the federal grants to states are taken from general revenues—taxes paid by all income-earning Americans, regardless of whether their state participates in the "voluntary" plan? Until tax payments are "voluntary," all government health plans will be compulsory.

Medical care for the aged is a serious national problem. It will not be solved by federal handouts. Nor will it be solved by inflationary and unworkable so-called voluntary programs.

JOHN ALLAN RHEA  
Long Island City, N. Y.

## Let the people know

You are certainly to be complimented on carrying the article "Foreign Relations Begin at Home" by Felix Morley [February].

American communications media has been woefully lacking in not publicizing the manner, methods, and extent of our being responsible here at home for our troubles, domestic and foreign. The events of recent decades could and should have been good and constructive rather than bad and destructive, had the Congress of the United States been true to the people. The people of this country as a whole are sound. Their fault is lack of communications on their part to the representatives of their government and on the part of communications media to the people.

The enslavement of this nation stems more from information withheld by those who should communicate information to the people than from any other cause.

JOHN W. DANIEL  
Houston, Tex.

(continued on page 12)



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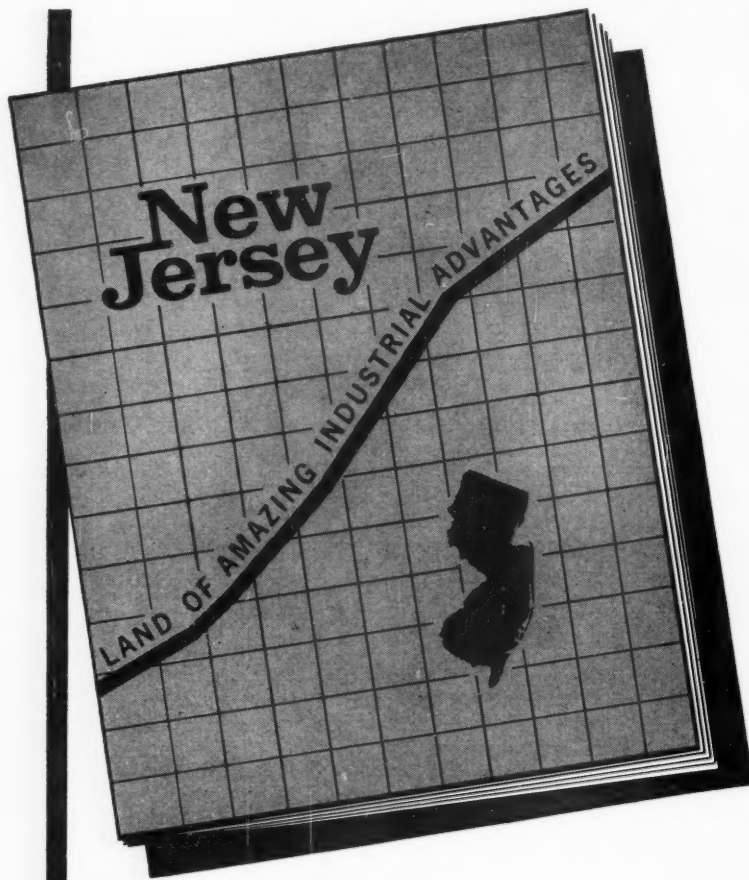
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## Government's job

I should like to make some comments about your interview with Virginia Rep. Howard W. Smith [January] whom I greatly admire.

In your third paragraph you say "His (Rep. Smith) Rules Committee has blocked passage of expensive and liberal proposals." Does not the word "blocked" lay it on a little strong?

You did not mean to imply, did you, that legislation held in the Rules Committee, as previously constituted under Mr. Smith's leadership, would have been adopted except for that action? I hope I am wrong but it just does not look good to me to get rid of this traffic cop, especially at a time when the traffic is going to get heavier.

Further on in your report, the following appears: "Some people like myself are old-fashioned enough to think that the federal government has those functions which are given it by the Constitution and, therefore, we don't have jurisdiction to run all over the lot delving into matters that are more properly adjustable at the state or local level."

The purposes and responsibilities of government are to protect the freedoms and privileges granted by our Constitution, through the preservation of internal order, the provision of national defense and the administration of justice. When government ventures beyond these functions, it accumulates power which tends to diminish order and liberty.

Now on the subject of spending money, the federal government is simply the custodian of the money exacted from individuals and business by taxation. Anything not economically sound is speculation with the taxpayers' money and I can see no reason why the government should be treated any differently in this respect than some individual or organization found by the SEC to be playing fast and loose with our money.

FRED A. KNAPP  
Pittsburgh, Pa.

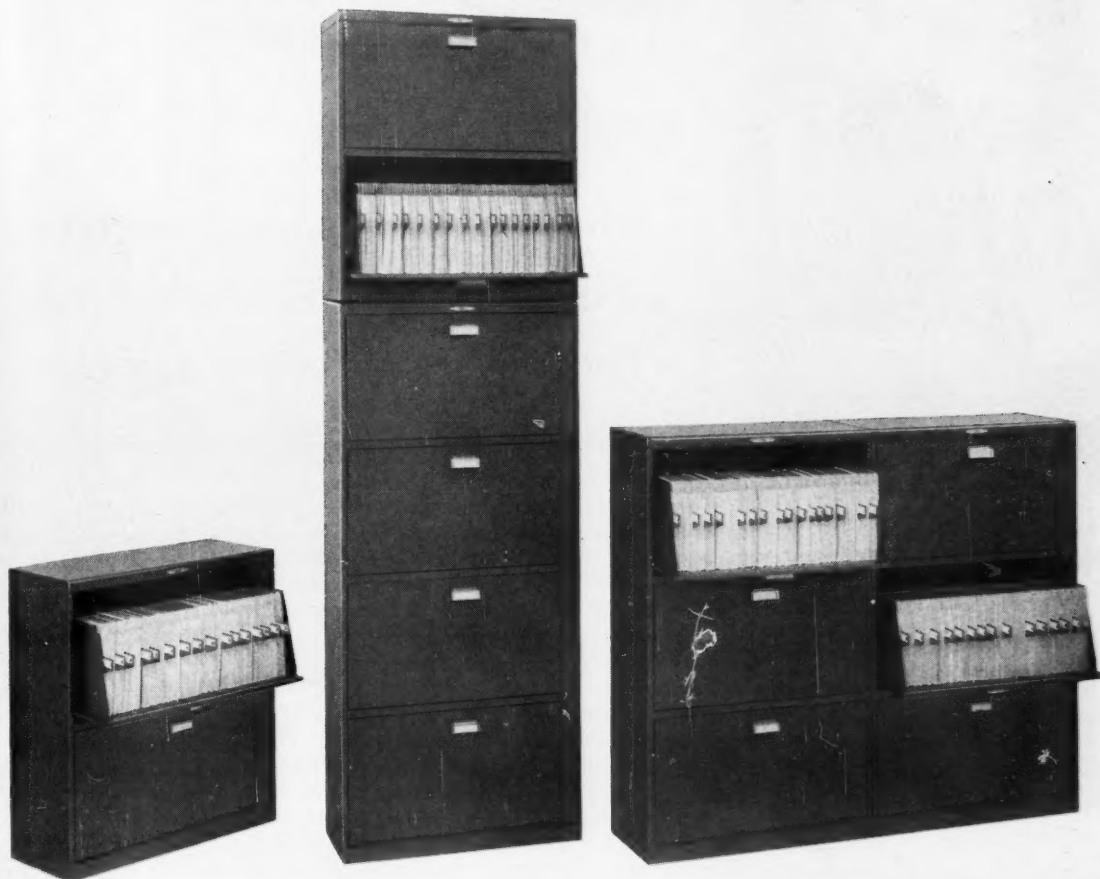
## How to do your job

The article "How to Stay on Top of Your Job" [September] contains some excellent material for distribution to our department heads.

E. GARBER  
Bekins Van & Storage Co.  
San Diego, Calif.

## Wisdom comes with years

Your editorial, "Wisdom Comes With Years," [January] impressed  
(continued on page 104)



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Most files consume 25 to 27 $\frac{3}{4}$  inches of extra floor space just to get their drawers wide open.

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These Y&E Pro-Files\* have no drawers. With the Rock-A-Tilt mechanism, compartments rock open easily.

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are labeled on both sides for convenience and speed.

At "wide open," your letter-size Pro-File will project only 6 inches. Legal size projects only 7 $\frac{3}{4}$  inches. That's why Pro-Files can save you 30% of your filing floor space over standard files.

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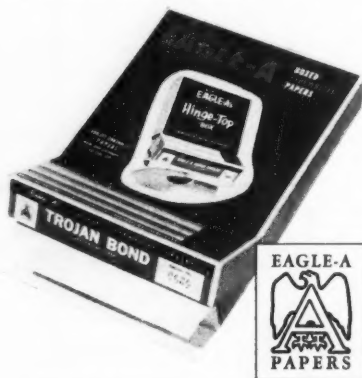
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## Executive Trends

- What's new in campus recruiting
- How to handle high-talent men
- Five keys to effective pay plans

This will be the climactic month for industry's 1961 recruitment of college graduates. The job prospects for June graduates are good, and could get much better if general business conditions improve dramatically.

That's the analysis of Dr. Frank S. Endicott, director of placement at Northwestern University and a nationally recognized authority on campus recruiting by business.

Dr. Endicott says company recruiting plans indicate that although demand for 1961 technical graduates will pick up (over last year) the demand for nontechnical graduates will level off, or drop slightly.

Companies which indicate they will need fewer graduates this year cite such factors as declines in business, fewer retirements, and stabilizing manpower needs as reasons.

**Switch:** More and more companies doing on-campus recruiting of college men are assigning headquarters personnel to do the interviewing, rather than field personnel.

This reflects two things: an increasing desire by business to get uniform quality in graduates hired, and an attempt to insure that experienced interviewers (in most cases, people with personnel department backgrounds) handle the delicate task of screening graduates.

Useful tip: Suggestions for firms doing campus recruiting are outlined in "Principles and Practices of

College Recruiting." Brochure is available at 10 cents a copy from Education Department, U. S. Chamber of Commerce, Washington 6, D. C.

"Your best producers often are the thorniest characters to supervise."

This observation was made by Walter Mitchell, executive director of the Society for the Advancement of Management, at a recent conference on human relations.

We asked Mr. Mitchell for details.

He pointed out that business—increasingly reliant on creative, high-talent manpower—must now reshape many of its concepts of supervision to fit the peculiar demands of this group.

"In the earliest stages of society, the whip was the incentive for getting work done," Mr. Mitchell noted. "We moved from that to wages. Now we are entering an era in which nonfinancial incentives are assuming an importance in many cases equal to, if not greater than, monetary reward."

**Scientists** and other technical personnel are good examples of high-talent workers who are spurred to maximum performance by nonfinancial stimuli.

For some, the need is simply one for freedom—for independence from control that allows them the time and opportunity to exercise their



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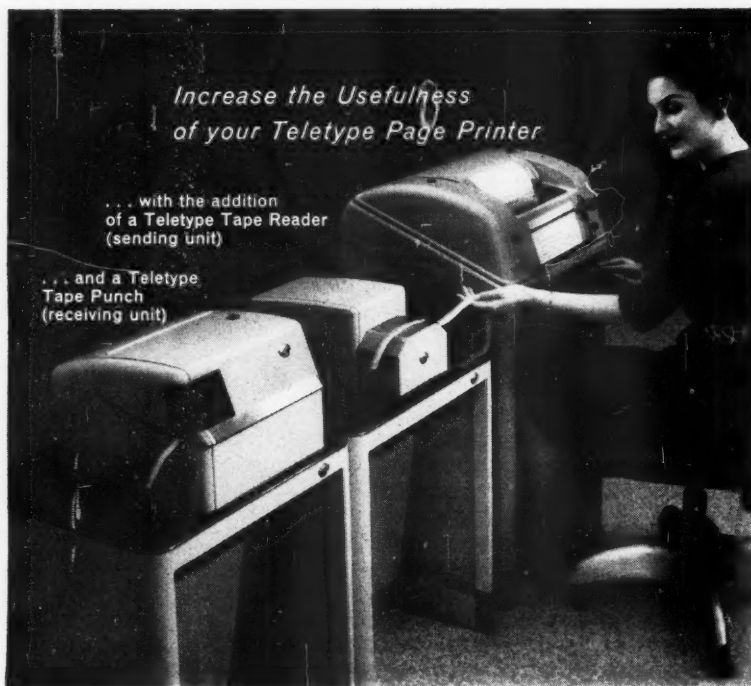
**New '61 Champ Saves You 10% to 20%!** Priced \$65 to \$217 under five other 1/2-ton pickups—'61 Champ is the lowest priced 1/2-ton truck in America—*bar none!* You'll save up to 10% on gas. Save up to another 10% on lower maintenance, bigger loads, fewer trips. All this plus the most comfortable cab on the road. Exclusive full-width, slide-open rear cab window. *See the work-proven '61 Champ at your Studebaker dealer soon—look smart, start saving big!*

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# Champ

**BY STUDEBAKER**

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## Tape can pay you dividends

Adding Teletype tape units to your present Teletype page printer can pay you handsome dividends. As your printer is used for sending and receiving messages and data, the information can at the same time be captured in perforated tape form—as a by-product, without effort on the part of your operator. This tape, then, has many cost-saving uses:

**Save time, increase capacity**—the tape can be used to retransmit all or part of the information to other locations . . . it is an easily storable record . . . it can be used over and over to save typing effort.

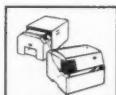
**Greater accuracy, efficiency**—using punched tape for repetitive data such as addresses, product descriptions and other fixed information not only eliminates retyping but also saves possible errors in preparing purchase orders, sales records, payrolls and the like.

**Business machine tie-in**—the tape is compatible with many modern business machines and can also serve as “input data” for certain types of computers.

In these and many other ways, the addition of Teletype tape units to your present Teletype page printer can pay you important dividends. Teletype Corporation manufactures this equipment for the Bell System and others who require the utmost reliability from their data communications. Teletype equipment can be used with Data-Phone and other communications services.

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## EXECUTIVE TRENDS

*continued*

talents. General Electric realized this years ago when it picked up the monthly household bills of the electrical genius, Charles Proteus Steinmetz, so that his mind would be uncluttered by detail and free to follow the course of scientific curiosity.

For many high-talent employees, the granting of time off for participation in the affairs of professional societies is an effective incentive.

Is this pampering? Not at all, the authorities hasten to explain. The point, they say, is simply this: The less you hamstring a creative man with rules and procedures, the more time he'll have to do the job that will be most valuable to you in the long run—creative thinking.

• • •

**High-talent men** aren't all working in laboratories.

You're likely to find them in any department of your company. Some good examples: the consistently top-producing salesmen and heads of the most profitable divisions of decentralized businesses.

An interesting characteristic of such star performers, according to industrial relations expert George Odiorne, is that they are sometimes “prima donnas”—strongly opinionated souls who capitalize on their own success to sound off in criticism of company policies. Because they are so valuable, they can do this with relative impunity.

• • •

**What should you** offer employee-executives in terms of a compensation plan?

Consulting firm of Cresap, McCormick and Paget reviewed the question, concludes a sound compensation plan should meet five main objectives:

1. It should provide a fair base salary, adequate to insure a sensible standard of living in keeping with the position and its off-the-job responsibilities.

2. It should offer a manager the opportunity to share as a co-owner or partner in the fortunes and risks of the business.

3. It should afford the opportunity

*(continued on page 21)*

## EXECUTIVE TRENDS

continued

nity for plus-pay for plus-performance or plus-results, or both.

4. It should enable or assist the executive to protect himself and his family against financial hardship resulting from unforeseeable or unpreventable hazards of accident, illness and death.

5. It should aid the executive in building up a personal and family estate. Item: Today's corporate executive needs to earn five to 10 times more than his counterpart of 20 years ago just to equal his real pay.

• • •

### Can human relations skills be taught?

A session sponsored by The Academy of Management explored that question.

It drew comments from some of the nation's leading management educators and authorities on human relations.

Their conclusion: Professors can give a student a theoretical background in human relations—the art of effectively uniting men and work objectives—but only practical experience can bring this skill to mature development.

• • •

### What are your choices of studies most needed to advance the ever-building art of management?

Robert F. Steadman, vice president for management research of the American Management Association, Inc., picks three targets, among others:

1. More psychological research into executive behavior and performance.

2. More study of methods for teaching adults.

3. Study of how business managers have reacted, in their decision-making and strategy, to cyclical changes in business.

• • •

**Prediction:** Computer simulation specialist Kalman J. Cohen, of the Carnegie Institute of Technology, says that within five years many firms will have complete computer models of their business operation—"but this will not replace the need for decision-making by top management." **END**



## "Now we don't know how we got along without it—"

"We're in the dream business—travel agency. But before we send you around the world, we have to send out letters, reservations and checks first. I used to keep a tin box stuffed with large denomination stamps. Now, for an airmail to Europe, I just dial 15¢ denomination on our postage meter. It's nice to know that any stamp you need is in the meter. Another thing, the Pitney-Bowes man showed us how to use third class on some of our mailings—a saving we appreciate."

Why should a small business have a postage meter? (Over 100,000 use the desk model DM. And one-third of the DM users average less than \$1 a day for postage!) Because:

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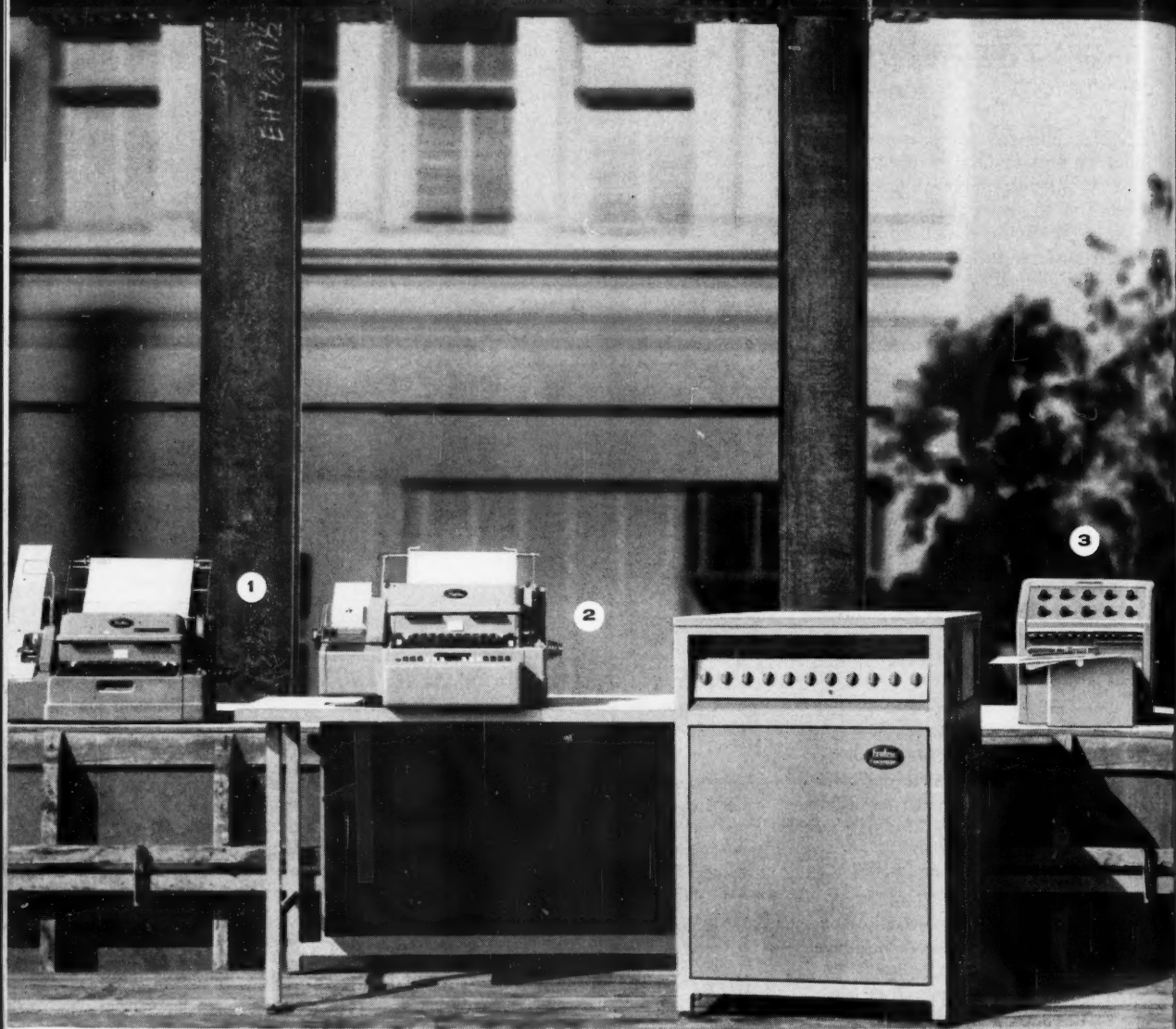


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# How Friden lays the foundation

Paperwork is the curse of modern business; it eats up profits, produces none. And although office-worker productivity has risen tremendously over the years, a greater-than-ever percentage of our labor force is today engaged in office work. The solution: increased office automation.

Does this mean computers? Perhaps. But even the installation of computers often merely highlights the basic problem—the preparation of source data. In most businesses, the creation of such basic paperwork as sales orders, purchase orders, reports, work orders, invoices and the like, remains the biggest—and most expensive—bottleneck of all. This is “pick and shovel paperwork.” And, unfortunately, most businesses still use pick and shovel methods to handle it.

**FRIDEN'S SOLUTION:** Years ago, Friden decided to devote its resources to solving this source data problem. The solutions arrived at are of vital interest to all companies, large and small. What Friden now offers is a complete line of machines capable of automating the creation of basic business documents. The

machines themselves are rugged, thoroughly proven, sensibly priced. Although they result in a tremendous increase in worker productivity, they seldom entail any major upheaval either in procedures or personnel; your present workers can operate the equipment without special training. The machines can be used by themselves, with each other, or integrated with electronic data processing systems. This means that Friden equipment is as useful—and practical—for the small business as it is for the giant corporation.

Interested? Your local Friden Systems Representative is the man to see. He'll be happy to explain the equipment—show you how and what it does. Then, drawing on his own experience and the pooled knowledge of Friden's world-wide organization, he can show you how Friden machines can be applied in your own situation to cut costs. Call him. Your balance sheet could reflect results sooner than you think.

**THIS IS PRACTIMATION:** automation so hand-in-hand with practicality there can be no other word for it.



## Kennedy aim: to rouse discontent

BY EDWARD T. FOLLIARD

OF ALL THE CHANGES that have taken place here since President Kennedy took over the White House—and rarely in our history have there been so many—the most striking has been in the official assessment of America's position at home and abroad.

Republicans have been much annoyed by Mr. Kennedy's somber view of the national economy, his talk about "seven months of recession, three and a half years of slack, seven years of diminished economic growth," and so on. They have been aroused, too, by his statement that the tide has been running against the United States overseas.

Former President Eisenhower hardly ever talked this way. He had a favorite saying: "Pessimism never yet won a battle, in war or in peace." His speeches were, for the most part, bullish in tone, and on many occasions he cracked down on those whom he called "apostles of gloom and doom."

In his final State of the Union message, President Eisenhower said that the United States had reached "unprecedented heights," that it had built "a new economic vitality without inflation," and that our armed forces were stronger than ever. He refused to acknowledge that the country was in a recession.

• • •

Whose assessment is correct? And how could two men, both in possession of all the official facts, use such sharply different colors in picturing our situation?

Time will answer the first question. As for the second one, that is now in the political arena. It will stay there for what promises to be a lively battle on Capitol Hill, with Republicans and conservative Democrats arrayed against the forces of the Kennedy Administration.

For the moment, Mr. Kennedy has one advantage. He dominates the news as he bombards Congress with messages. Clearly he is trying to get the folks back home to build a fire under their lawmakers.

Some of the Republicans have said that Mr. Kennedy uses his melancholy language so that he will

get the credit when there is improvement. Sen. Styles Bridges, New Hampshire Republican, chides him for picturing America as "a nation on its knees." Other Republicans, among them Rep. Charles A. Halleck of Indiana and Sen. George D. Aiken of Vermont, insist that his dark picture is unwarranted—that "things are not that bad."

Sen. Thruston B. Morton of Kentucky, chairman of the Republican National Committee, says that the President distorts the facts and implies that his purpose is to downrate the achievements of the Eisen-



UPI PHOTOS

*From the same facts Presidents Eisenhower and Kennedy drew different pictures of our economy*

hower Administration. He says further that President Kennedy's statements are an echo of his 1960 campaign speeches.

This is certainly true. Candidate Kennedy talked the same way that President Kennedy now talks, and therefore it must be said that he has been consistent. Already it seems a long time ago, but the New Englander's campaign oratory led Mr. Eisenhower to accuse him of distorting America's image and thus causing glee in Moscow. The then Vice President Nixon charged he was "selling America short," and

## TRENDS: WASHINGTON MOOD

Chairman Morton said he was conducting "Operation Downgrade."

Some accused Candidate Kennedy of having called the United States a "second-class country." He really didn't use that phrase. What he said, over and over again, was:

"This is a great country, but I think it could be greater. This is a powerful country, but I think it could be a more powerful country."

Those words, and his oft-repeated campaign cry that it was time for "America to start moving again," help to explain President Kennedy's conduct since he has moved into the White House. He is not a pessimist—far from it. Full of zest and energy, in love with his job, he is eager to make good.

He is gracious in manner, but there is a toughness about him, and he has little patience with mediocrity.



*The change from steam to diesel and transfer of repair shops idles Brunswick, Md., railroaders*

Hence he sees no good reason why, as he puts it, "the most resourceful industrialized economy on earth ranks among the last in economic growth."

The 43-year-old Chief Executive has told Congress that his Administration does "not intend to stand helplessly by"—that the unfavorable tide must be reversed.

He has been working overtime at the White House to make good on these words.

Mr. Kennedy did a daring thing in the 1960 campaign by telling the voters that life would not be easy if he should be elected, and that his New Frontier would mean "more sacrifice instead of more security." Some of his advisers, particularly the old pros, thought that kind of language would frighten the voters. He felt himself that Americans were sophisticated enough to appreciate frank talk, and he was vindicated.

What he is trying to do now, obviously, is to jolt those of his countrymen who are complacent—to bring the contented over into the ranks of the concerned.

He acknowledges that this won't be easy. It is extremely difficult, he tells reporters at his televised news conferences, to get the 60 million or more who

have jobs to worry about the 5.5 million who are out of work.

"But it is the function of the President," he says, "to concern himself with that 5.5 million unemployed, particularly when so many have been unemployed so long."

He is also trying to get the contented—and their representatives in Congress—to become concerned about what he calls "chronic depressed areas." What he has in mind for these areas, aside from emergency help in the way of food and unemployment checks, is a long-range program to bring in new industries, to retrain workers in new skills, and perhaps to move some to other regions.

Here, surely, he is going to encounter trouble. One of about seven newspapers Mr. Kennedy reads daily carried a story recently that suggested what he is up against in the depressed areas. The story concerned the town of Brunswick, Md., about 50 miles northwest of Washington.

Brunswick was once a prosperous town, but a one-industry town—almost wholly dependent on the Baltimore & Ohio Railroad. The B & O, hard hit by truck competition and forced to economize, switched from steam locomotives to diesels, making unnecessary the big roundhouses and repair shops in Brunswick. The B & O has also consolidated its switching operations 80 miles away at Cumberland, Md., where it has a new and highly automated yard.

Now about 251 Brunswick families—about one out of every five—are living on unemployment checks. Are these people to be retrained or moved elsewhere?

James E. Harrison, a B & O veteran out of work since October, was shocked when the reporter asked him about these alternatives. He explained that his father and his grandfather had been railroad men before him.

"There's nothing but railroading," said Mr. Harrison. "Around here you're born and raised a railroader. It's our life."

The same kind of talk comes from coal miners and others trained in specialized jobs. Like Trainman Harrison, they say it is "our life," and find it hard to imagine any other kind of life.

Whatever the difficulties, President Kennedy is determined to tackle this problem—and a lot of others.

Under the Employment Act of 1946, a President is expected to take steps to combat unemployment. The Act says: "It is the continuing policy and responsibility of the federal government to use, . . . with the assistance and cooperation of industry, . . . all its plans, functions, and resources . . . to promote maximum employment, production, and purchasing power."

President Kennedy appears to be very much aware of the words, "with the assistance and cooperation of industry." In a speech here Feb. 13 before the National Industrial Conference Board, he told 900 corporation executives that the federal government's revenue and success "are dependent upon your profits and your success."

He said that, far from being natural enemies, government and business are necessarily allies.

## Do we want freedom for or freedom from

BY FELIX MORLEY

NO WORD IS TODAY more frequently and yet more loosely used than freedom. Our part of the world, we say, is free; that under communism is enslaved. Exactly the opposite is proclaimed by Moscow. The statement of the International Communist Congress recently held there asserts that: "The Soviet Union is the mightiest bastion for the people of the whole world in their struggle for democratic freedoms."

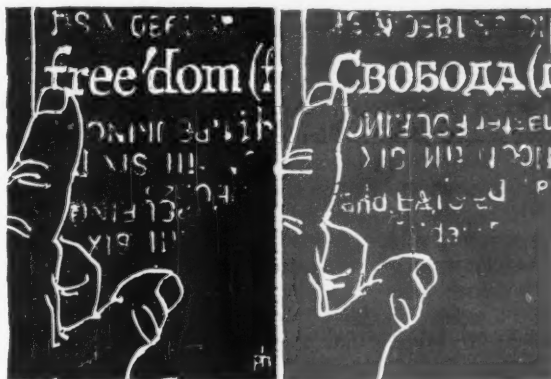
If we assume that man is on the whole a rational being, then this irreconcilable contradiction demands dispassionate consideration. We have to admit that many people have faith in what seems to us the highly distorted communist idea of freedom. We must even be skeptical toward one of Dwight Eisenhower's last observations as President, that: "People yearn to be free, to govern themselves." Right here in the United States there are many who seemingly do not yearn to be free. If that were the case, federal aid for all sorts of local problems would be repudiated—not welcomed.

There are, in fact, two aspects of freedom, for which we confusingly use a single word. And the division between them is defined by individual character rather than by national allegiance. There are Russians who hate enslavement by their government, even though it gives them comprehensive social security. There are Americans who, to obtain that sort of security, willingly accept ever increasing governmental regulation. Fundamentally, the cold war is between two concepts of freedom, with some Russians on our side and some Americans, who sincerely believe themselves anticommunist, unwittingly on their side of the fence.

• • •

The two distinct ideas embodied in the word "freedom" are clarified by the very different prepositions used as soon as we apply the abstract noun to any particular problem. We want freedom for something and we also want freedom from something. What confuses us is that while one may have the second without the first, one cannot have the first without the second.

A teen-age girl, to illustrate, is forbidden for good reasons to drive the family car at night. Her freedom for the immediate enjoyment she desires is thereby frustrated until she obtains freedom from the parental veto. With blanket permission to drive when, where and how she pleases, the girl seems really free. So is the footpad free when he snatches her mother's



*The communists boast of freedom but their definition of the word is different from ours*

pocketbook on a dark street. Society, however, cannot tolerate such uncircumscribed freedom and has adopted graduated laws to limit it, fining the speeding teen-ager and sending the adult criminal to jail.

Freedom for something, therefore, quite obviously requires a strong element of self-government, as Mr. Eisenhower correctly implied in the remark just quoted. Only as the individual subdues the least admirable aspects of his nature can he be entrusted with freedom for, and this subjection of socially undesirable instincts is self-government in the precise sense of the phrase.

The better we govern ourselves, the less we need policing by the state. In this truism is found the political importance of organized religion, which always seeks to promote self-government and thus encourages



## TRENDS: STATE OF THE NATION

freedom for. While literal self-government is essential for this positive aspect of freedom, it is of itself an insufficient element. There must also be freedom from arbitrary and unreasonable controls. The inventiveness necessary for a labor-saving device is wasted if featherbedding blocks its utilization. So are the abilities of the intelligent boy who is held back in school because his individual promotion might upset the routine of educational administration.

Much of the drag on society as a whole, indeed, is not originally caused by socialistic legislation. It traces back to the tendency of the group to suppress a disturbing element, regardless of whether the incentive of the troublemaker is helpful or harmful to social progress.

It is the particular glory of the American form of government that it has always, in the past at least, encouraged troublemakers. That was true of Thomas Jefferson, shocking a class-conscious world with the declaration "That all men are created equal." It was true of Henry Ford, unconsciously working to destroy the horse and buggy and create today's traffic jams.

Freedom from British rule was demanded by troublemakers as the necessary preliminary in establishing freedom for the potential American accomplishment. And success crowned the effort because of the emphasis on individual responsibility. "We rest all our political experiments," wrote James Madison of the Constitution which he so largely devised, "on the capacity of mankind for self-government."

Communism, as an economic, a political and an ethical system, is in each respect diametrically opposed to the American theory. Communism denies God because of its debased view of human nature. The troublemaker is quickly eliminated because communism considers man incapable of self-government. It argues that the most deep-rooted human instinct is that of exploitation: of his subjects by the king; of his flock by the priest; of colonies by an empire; above all, of wage earners by capitalists. Therefore, it offers freedom from these real or imaginary tyrannies. But by its very denial of human decency communism is unable to offer freedom for any service that is not considered as desirable by the all-powerful state.

We make a serious mistake when we assume, with all too little knowledge of the facts, that socialist dictatorships do nothing in behalf of freedom. There is little doubt that the people of Russia, by and large, are today more free from material want than was the case under the easier despotism of the Czars. But it is only the negative aspect of freedom that is being achieved. Russians are far less free for positive individual accomplishment than in the days of Tchaikovsky and Leo Tolstoy. Freedom from, which is a generalized condition, has been accomplished only at the expense of freedom for, which is self-controlled personal liberty.

What worries thoughtful Americans today is that we, too, for all our vehement antipathy to communism, are also increasingly emphasizing freedom from at the expense of freedom for. We, too, are asserting that centralized government should take over the direction of men's lives, from the conduct of schools to the care of the aged. Very likely, as in Russia, this could result in more security for a greater proportion of the population than was the case a century ago. But it is just as certain that the development implies a loss of personal liberty.

The extent of our loss is hard to measure, because freedom in the positive sense bears fruit according to the aspirations of the individual. To one it may be an opportunity to gamble in the balmy climate of Las Vegas. To another it may be the chance to study philosophy. An approximation of his loss of personal liberty, however, can be made by anyone who completes an income tax return. What he pays to Uncle Sam will be used, though not too economically, in behalf of freedom from some general hazard. And it will equally measure the individual's loss of freedom for some undertaking of his own selection.

The communist theory is that men cannot be trusted to make their own selections. These should be made by an all-powerful, unquestionable elite, right down to the quality of housing, the content of education, the character of recreation. Americans, in the past, rested their political theory "on the capacity of mankind for self-government."

Today we seem to share the Russian doubt about this, although we do not want to draw the same political conclusions.

The uncertainty can be sharply seen in the government we have chosen to represent us. The new President, in his stirring and memorable Inaugural, took pains to remind us that "the same revolutionary beliefs for which our forebears fought are still at issue around the globe—the belief that the rights of man come not from the generosity of the state but from the hand of God."

Yet, in his State of the Union message and in other messages of his which followed it, the President proposed a variety of programs broadening the power of the centralized government over the lives of the people.

In other words Mr. Kennedy, like the rest of us, must guard against the human tendency to indorse procedures that may be as contradictory as are competitive enterprise and collusive price-fixing. On the one hand the President urges "all possible steps . . . to improve our technology." On the other hand he urges more governmental relief for the unemployment that such technology may temporarily produce. It is one of many cases where freedom for progress must be harmonized with freedom from its dislocating consequences.

The course before us will be more clear if we remember that there is freedom for as well as freedom from; and that when the balance between them is destroyed so also is the whole condition of freedom, yearn for it though we may.



# YOU CAN GET MORE DEFENSE FOR LESS MONEY

New push for law changes to follow Pentagon reappraisal

PRESIDENT KENNEDY'S order for a full reappraisal of the Defense Department's operations spotlights the issue of waste and confusion in the Pentagon.

Whatever recommendations Secretary of Defense Robert S. McNamara makes are sure to spark a debate in Congress. Proposals for reorganization of the defense establishment were being pushed even before the President directed the new review of "the efficiency and economy of our operation and organization."

Many major improvements need not await passage of new laws. The Defense Reorganization Act of 1958 granted the Secretary of Defense many powers which have not been used. Mr. McNamara has ample authority to exercise many of the management abilities that won him the presidency of Ford Motor Company.

He has already made a start toward minor realignment of officials, and has appointed a committee, under General Counsel Cyrus R. Vance, to make a continuing study of Pentagon management and reorganization possibilities.

The 1958 Act, however, did not provide for two critical reorganization needs:

Money still is appropriated to the individual services, rather than to the Defense Department or Secre-

tary, who must run the organization. Many analysts consider this the most serious defect in the present system. Tighter control of the purse strings would effectively eliminate much interservice duplication and rivalry.

Operating heads of the services still wear two hats because they also sit as members of the Joint Chiefs of Staff. It is extremely difficult for them to maintain a broad, nonservice point of view in developing strategic plans and determining force levels. Several proposals have been offered for divorcing the top military advisers from their individual services.

Competition among the Army, Navy, Air Force, and Marine Corps causes much of the Pentagon's inefficiency. Consider these examples:

The Defense Department recently selected the Army to manage an orbiting satellite, called Advent, for global communications. But both the Air Force and Navy are devising separate efforts along the same line—not to mention the vast communications satellite work going on within the civilian National Aeronautics and Space Administration. Even at this early point in the space age, Pentagon space programs—not including missiles—cost about \$500 million a year.

Congress ordered the Air Force to drop 2,583 men from flight status

to save about \$120 million a year. At the same time, the Army has nearly 800 personnel taking flight training. The Army won't estimate how much this is costing, claiming "too many intangibles" are involved.

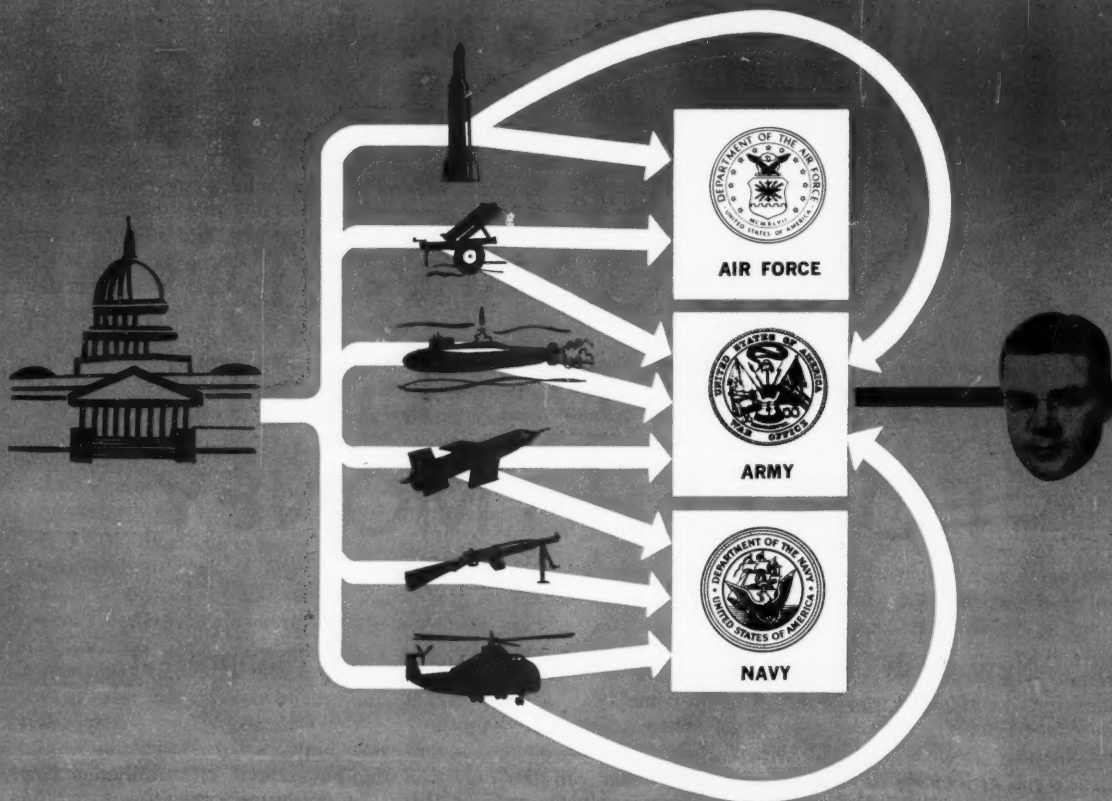
## How costs are raised

Triplicate administrative organizations push up costs of such activities as training, financial management, transportation, legal, health, and medical programs.

The exact number of departmental headquarters employees in the Washington, D. C., area eludes even the House Subcommittee on Department of Defense Appropriations, which supplies the Pentagon's money. In its report for the current fiscal year, the subcommittee said it "regrets that authoritative and definitive information is not available in the Department of Defense," and orders a belt-tightening based on "the best available information": that the headquarters employ 31,500 civilians and 14,000 military at a cost of \$383 million a year.

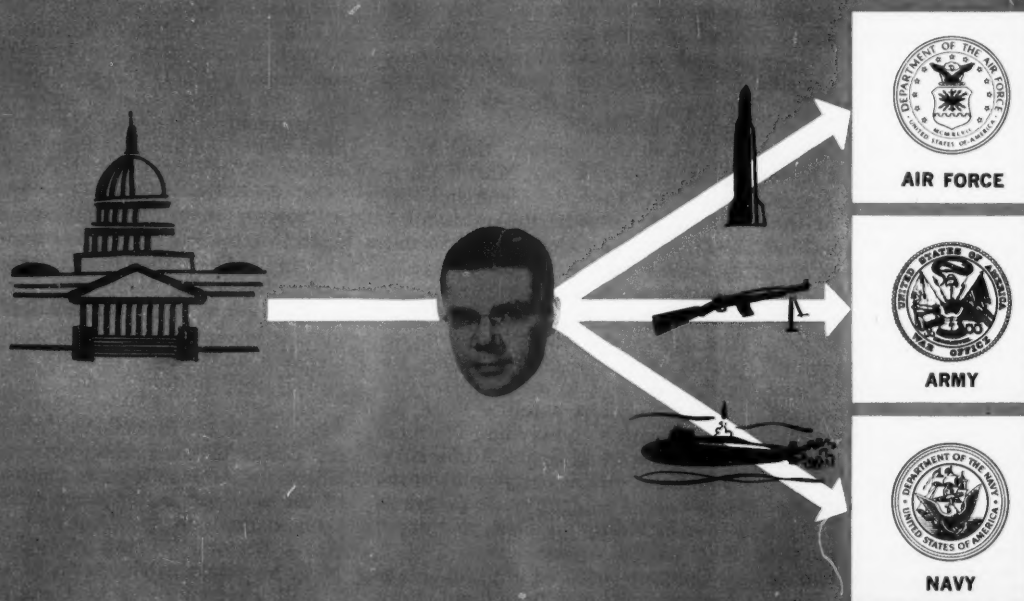
The Secretary of Defense can correct much of the inefficiency through his power to consolidate activities which are common to more than one of the services. Some progress has been made in hospitalization with Army personnel being treated in Navy hospitals, or vice versa.

Still a recent check by Congress



**CONFUSION** in defense spending results from present system under which Congress provides funds for weapons wanted by the individual military services, each of which competes to be first with the most.

**BETTER CONTROL** would be provided by appropriating most funds to the Defense Secretary, who could then eliminate expensive duplication.



## MORE DEFENSE

*continued*

shows many inefficient uses of these facilities. One example: The Randolph Air Force Base Hospital in Texas, with a capacity of 173 beds, was caring for 22 patients. Less than half an hour away by automobile, the Brooke Army Medical Center in San Antonio has 1,745 beds, but was treating only 717 patients.

A study of defense procurement by the Joint Economic Committee of Congress says: "In supply and procurement matters, it is obvious that each (military) department considers itself a separate and distinct entity."

The report does hold out hope for substantial savings from some defense reforms: "A reasonable estimate of possible economy in a properly organized Department of Defense logistics system is 10 per cent in procurement, or from \$2 billion to \$2.5 billion annually, and at least 10 per cent in the management of the supply systems which now cost an estimated \$2 billion."

The Defense Department has made efforts toward savings in procurement and supply activities by gradually extending use of single managers, under which one branch of the military buys and issues certain supplies used by all the services. The Army, for example, handles all military automotive parts, while the Navy manages all transportation via ship.

Through this system, defense officials claim to have saved \$400 million during the past five years. But critics maintain that most such savings are one-time economies, due to inventory reduction, and that the single-manager system still does little to eliminate the huge numbers of supply personnel in every service.

### **Too many belt buckles**

Until recently, when defense officials concentrated on standardizing military clothing, 109 different types of belt buckles were used. The four services were using eight different fatigue uniforms, seven types of dress shoes, and seven types of combat boots. After the standardization there are still two different fatigue uniforms, three kinds of dress shoes, and two types of boots.

While these items may seem small when compared with missile

and aircraft programs, excessive costs due to unnecessary duplication in any area are significant. The Defense Department reports that, by eliminating the watchpocket in uniform trousers, \$650,000 a year has been saved.

The high cost of modern weapons increases the need to make savings wherever possible in the defense system.

A private study of reorganization, prepared by defense officials for the Commerce Department's Business Advisory Council, notes that new weapons systems "usually cost many times more than their predecessors." At \$2 million, an F-105 jet fighter plane costs five times more than an F-84 jet. The first Polaris submarine cost \$110 million, compared with \$5 million for the average World War II sub. An atomic-powered aircraft carrier, at \$471 million, costs five times more than earlier models.

Many new weapons perform the same basic function as older arms. Yet, little has been done to cull out outdated weapons. If war were to break out we would have all these weapons available to hit the same target: Air Force fighters, Air Force tactical missiles, Army tactical missiles, naval carrier aircraft, naval ship-based missiles, Air Force strategic bombers, Navy Polaris submarines, Air Force long-range missiles—plus allied planes and missiles.

This indicates the weighty choices that are thrust upon the civilians who must direct our defense. Today's complex technology demands that the defense establishment be brought up to date to allow faster and better decision-making.

### **Recommendations by experts**

A wide range of experts on national security are urging reorganization of the Defense Department. Among them: Gen. Maxwell D. Taylor, former Army chief of staff; the Air Force's Research Studies Institute; the Government Operations Committee of Congress; and the Chamber of Commerce of the United States.

Recently a five-man committee of civilian advisers, headed by Sen. Stuart Symington of Missouri, urged President Kennedy to institute sweeping defense reorganization. The committee called for further strengthening the authority of the Secretary of Defense, appropriating funds directly to him, abolishing numerous civilian service secretaries and undersecretaries, consolidating management of all weapons development, and estab-

lishing a single military chief of staff to advise the Secretary of Defense and the President.

Many of these objectives can be accomplished without changes in basic laws. The President, for example, is free to send Congress a budget providing that most military funds be appropriated to the Secretary of Defense, who would apportion them to the various services. Some funds, such as those for personnel pay and certain operating costs, would still go directly to the specific branches. But major spending, including research, development, and procurement, would be in the hands of the Secretary.

Former President Eisenhower made a start in this direction by listing many defense fund requests by function, or use. In his final budget, he urged Congress to consider appropriating most funds directly to the Secretary of Defense.

The U. S. Chamber of Commerce, calling past efforts insufficient, declares, "We are convinced that appropriating funds to the military departments, instead of the Department of Defense, more than anything else is responsible for the multiplicity of similar weapons systems development programs, as well as the difficulty of reaching firm and early decisions regarding the termination of less promising programs or programs that have progressed too slowly to be of maximum effectiveness for the purpose intended."

Congress generally has resisted the idea of providing the funds in a lump, claiming it would be like signing a blank check. But backers of the plan point out that the lawmakers still would have ample control, in that portions of the funds could be earmarked for missiles, planes, ships and other specific weapons.

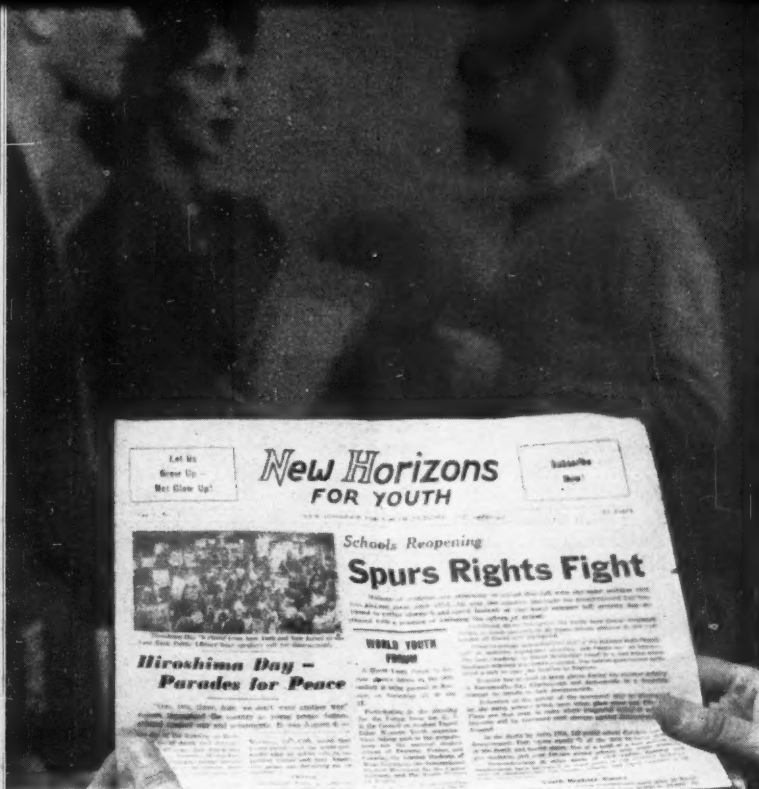
Actually, Congress is putting defense spending proposals under closer scrutiny this year. A new law provides that the Armed Services Committees of both the House and Senate must approve, and Congress pass, a bill authorizing spending for all missiles, aircraft and ships before money can be appropriated for them in a second bill. This is the same double approval required for most other government spending.

### **The multi-year plan**

Still another proposal which Congress could accept without changing the Pentagon organization is appropriation of some funds, including research and development money, on

*(continued on page 82)*





# RED SLANT REACHES 10 MILLION U. S. READERS

Communists print and import many tons of propaganda in effort to grab minds

COMMUNIST PUBLICATIONS are doing a booming business in the United States.

Freedom of the press, along with loopholes in our postal and antisubversion laws, allow communists to print and import more than 10 million newspapers, magazines, pamphlets, and tracts here each year. This is in addition to the reds' efforts to infiltrate legitimate U. S. publications.

President Kennedy has ordered a review of some aspects of the problem.

Efforts to stem the tide without violating traditional freedoms are

under way in Congress. Rep. Francis E. Walter, chairman of the House Un-American Activities Committee, has introduced legislation to tighten up on shipment of red propaganda from foreign lands to this country. Other lawmakers have proposed denial of bulk mailing rates to communist publications.

Businessmen can help stamp out the anti-American publications in several ways. The Federal Bureau of Investigation offers these tips:

**Be informed.** It's easy to identify *The Worker* as a communist newspaper, but some red magazines, for

example, may mislead the casual reader. By learning to identify these publications you will be better able to guard against them.

**Send them back.** The communists often mail publications at random, hoping to land a subscription. If you send them back, or write the publication demanding to be dropped from the mailing list, you won't get any more. You might also want to check whether such publications are coming to your company without your knowledge. Incidentally, receipt of communist material does not necessarily mean you will be suspected of subversion. You might be if you encourage it.

**Send no money.** While the communists are more interested in promoting their form of government than making money, they won't continue to send materials to non-contributors over a long period. Refusing to give anything to their publications or organizations is one of the best ways of stopping them.

Both foreign and domestic communist materials cling closely to the international party's line which seeks to discredit the goals of the U.S. government. But the two types present entirely different problems, each requiring a different remedy.

Communist publications printed in the United States represent only a tiny fraction of the material circulated here. Because they are tied more closely to American life, however, their impact may be greater than that of slicker materials prepared abroad.

## How reds twist the truth

Recent issues of *The Worker*, the party's weekly newspaper, provide some excellent examples of the communist tactic of seizing on and distorting news events.

Even the weather is used to make the party's point. "A Good Snow Removal Job Requires City Hall Cleanup" was the headline on a story in *The Worker*. Here are excerpts:

"One full week after the storm, out on main sidewalks, at the front entrances of tenement houses, all the way from a half-dozen to a dozen garbage cans stood, filled to overflowing, uncollected!

"The only exceptions to this disgraceful and disgusting situation were the modern homes and apartments of the well-to-do."

After citing troubles with unheated apartments and transportation snarls, *The Worker* concluded:

"These problems will not be solved by dependence on the old parties, representing the vested in-



terests. The city administration representing these interests, will only take steps in the people's interests under the organized pressure of the people. More substantial progress will be made to the degree that the common people act together in a new political coalition. The unions, the Negro people's political movement, the Puerto Ricans, the Insurgents and liberals provide the ingredients for such a coalition."

This is the type of news *The Worker* supplies 14,365 subscribers, by its own count. Experts on communism in the U. S. warn, however, against judging its readership or influence by the relatively low circulation figure. It's known that copies are passed around among several party members and sympathizers. Moreover, it can be bought for 15 cents a copy at newsstands in some larger cities.

Known as *The Daily Worker* until three years ago, when lack of money and other problems forced the communists to put it on a weekly basis, *The Worker* is published in New York.

A similar West Coast paper, called *The People's World*, is published in San Francisco. In other major cities, some newspapers in Russian, Lithuanian, Polish and Croatian carry the party line.

*New Horizons for Youth*, a newspaper launched in 1960, is aimed at attracting young American readers. An editorial in the first issue proclaims: "We are independent of any group and rely on our own efforts."

However, FBI Director J. Edgar Hoover in his year-end report to the Attorney General last December said: "Under the editorship of their national youth director, the communists have begun issuing a special publication, *New Horizons for Youth*, aimed directly at America's young people."

Circulation figures for the chief communist magazines produced in the U. S. seem negligible, but they, like *The Worker*, are usually shared by many persons. The slick, pocket-sized *Political Affairs* claims only 1,028 paid subscriptions, while *Mainstream*, a cultural magazine, lists only 3,000. Both have been declared to be communist publications in official statements of federal authorities.

#### What red officials write

In the past year, *Political Affairs* has published articles by such communist leaders as Gus Hall, chairman of the national party, on "Our Sights to the Future"; Hyman Lumer, its educational director, on

"U. S. Imperialism and the Congo"; and Claude Lightfoot, a Chicago party official, on "The Negro Question Today."

*Mainstream* relies heavily on highbrow articles and poetry by foreigners, and twists selected passages from well known authors to make the party's point.

Red printing presses also turn out an endless stream of pamphlets dealing with current events or party doctrine.

"The party wants mass readership," Mr. Hoover notes. "Communist literature is today being sold for five, 10, 20, 25, and 35 cents. Even these prices are considered too high."

Unlike other publishers, the communists are not interested in making a profit. Their aim is to influence readers and promote red doctrine. None of the magazines carries advertising, and *The Worker* generally publishes only notices of meetings, tributes to comrades, and memorials to party leaders or deceased relatives. This ad is typical: "Dinner to help — — — win back his citizenship. Donation \$1, musical program."

To make up the deficit in advertising revenue, *The Worker* conducts a constantly frantic fund-raising campaign. Last November and December, for example, it beseeched readers to send in \$25,000 or "the voice of truth" would be stilled. Actually, authorities on communism say the party's general funds must carry most of the financial load of its publications. Just how much is involved is not disclosed, but Mr. Hoover calls the publishing activity a multihundred thousand dollar operation.

Government officials, in and out of Congress, concede little can be done to stem the publication of subversive material in this country. The First Amendment's guarantee of freedom of the press protects communist as well as other publications. But some congressmen contend that the red propaganda should at least pay its way in the mails. So far, their efforts to deny such publications the right to use bulk rates provided for other newspapers and magazines have not been successful.

Some of the more arrogant leaflets sneer at the freedoms that permit their circulation here.

Things would be different if communists gained control of the United States, according to a pamphlet entitled, "The Free Press, Portrait of a Monopoly."

In Russia, it claims, there is real freedom of the press—for "the or-

ganizations of the people, such as trade unions, cultural and scientific organizations, etc.

"There is, however, no freedom of the press for rent-collecting landlords, bankers, industrial monopolists. The Soviet press is frankly not a formally democratic press but a press of the working people."

Imported communist publications present still other problems.

In volume, they far outweigh domestic red materials. Irving Fishman, deputy collector of customs at the Port of New York, reports that approximately six million packages containing about 10 million copies of communist printed matter were imported in 1959.

That's an 18 per cent increase over the year before, and about double the 1955 volume. Moreover, it does not include first-class mail, which can't be intercepted without permission of the recipient. Mr. Fishman estimates that 125,000 individual envelopes of this type of material are received each month at New York alone.

#### Target: young Americans

Much of the foreign communist material is directed at young people in the U. S. In 1959, 380,000 packages, containing about 580,000 items, were addressed to students, schools or colleges. The volume has been increasing at the rate of almost 40 per cent a year.

Shipments from Red China and through Latin America also have been increasing rapidly, officials say, while the volume from Europe has dropped. The Customs Bureau had to set up a screening unit in New Orleans to handle the flood of propaganda coming in from the south.

Representative Walter's legislation would close some of the loopholes in the present laws covering such imports. Each copy is supposed to be labeled as propaganda, so recipients will be aware of its origin. However, the law does not provide for this labeling before importation, and customs officials are unable to check every shipment, so many items undoubtedly slip through.

In addition, bulk shipments to foreign agents here need not be labeled, and it's believed most of them do not label the individual pieces when they mail them out. Finally, shipments made through friendly countries need not be labeled. The communists are taking advantage of this loophole to send much of their material through Latin America, Canada and noncommunist European countries.

END

# YOUR PRICES FACE MORE CONTROLS

Proposed changes in law  
threaten your business

**YOUR FREEDOM** to set prices in competition with other businesses faces a stiff test in Congress this year.

Legislation has been introduced by Democratic Sen. Estes Kefauver of Tennessee and Rep. Wright Patman, Democrat of Texas, which would amend the Robinson-Patman Act to eliminate "good faith" as a justification for lowering prices. The Kefauver bill is cosponsored by 10 senators. In the House several representatives have offered similar measures. While the purpose of such an amendment would be to improve competition, the actual result would be to hamper it.

The proposed amendment would overturn a Supreme Court ruling that "good faith" is a valid defense against antitrust prosecution for lowering prices. The "good faith" defense would be enacted into law on the other hand, by a bill introduced by Rep. Francis E. Walter, Pennsylvania Democrat.

Other measures which would further inject government into pricing have been introduced by Representative Patman. They include bills to: prohibit selling goods at "unreasonably" low prices; require that sellers publish their prices and terms of sale; reinforce curbs against coercion by big buyers to obtain price advantages; permit small businesses to seek injunctions and treble damages for injuries believed resulting from price discrimination.

To help you understand the upcoming fight over business' right to set prices, it is necessary first to review the role of competition in price-making and the function of price-making in competition.

## **Function of competition**

The American economy is built on competition. We believe competition will result in the greatest flow of goods and services of high quality at the lowest prices. This is the philosophy underlying our antitrust laws and the reason the American people op-

pose the cartels which are considered proper in many other countries.

Nevertheless, competition is disapproved in this country when it becomes unfair or cutthroat. One example was the practice of some trusts a half century ago to cut prices in a community in order to drive out competitors and then to raise the price when monopoly was achieved. To prevent this, the Clayton Act in 1914 prohibited that type of price discrimination.

Then the Robinson-Patman Act was enacted almost a quarter of a century ago, mainly to prevent the chain stores from buying on more favorable terms than a small retailer, a practice which also was labeled price discrimination. Manufacturers are prohibited from charging some customers lower prices than others unless they can justify the reduction by showing lower costs or proving that the new price is offered in good faith to meet the price offered by a competitor.

Several court decisions have upheld the good faith meeting of competitors' prices as a defense against charges of unfair competition.

The Departments of Justice and Commerce have opposed changing the present law while the Federal Trade Commission has blown hot and cold on the question.

The Robinson-Patman Act assumes a formalism in pricing that does not exist. The apparent hope was that the Act would lead to a well ordered set of price relationships which would help the small merchant meet price competition. But price is only one phase of competition. Other factors are of equal, if not greater, importance. Service, delivery, credit, brand preference, packaging, location, prestige and many other things often are more decisive than prices in attracting customers.

The essence of competition is rivalry. The objec-

tive is to increase the firm's volume and profits and to divert business from competitors.

If such programs are successful, some competitors are hurt. In this sense, to the extent that competition is effective, it must hurt someone. Presumably, those companies which are the less efficient and render the poorer service are hurt. Hence, in the end, the economy benefits from vigorous competition. Clearly, hurting competitors and hurting competition are not synonymous. Even as now interpreted, Robinson-Patman raises difficult problems.

#### **Some puzzling questions**

Under the law, for example, a firm is permitted to meet a rival's lawful price.

But what is a rival's price? What constitutes meeting it? Does it refer to his mill net or to a delivered price? If a company traditionally charged a premium or prestige price, is it meeting a rival's price when it abandons the premium? Who is a rival? If a customer claims he is getting a lower price which turns out to be a sporadic price concession by a small firm, may a rival company meet it? Suppose that the customer quotes a nonexistent or phantom offer to attract a lower price. May the cut price be quoted to any potential customer or must the offer be limited only to previous customers?

Some interpretations of the law insist that a company go behind a rival's price reduction to make sure that it is lawful. Such a standard creates a problem virtually impossible to solve in many instances.

Companies guard their cost data zealously. If a business cannot obtain such data, how is it to know whether the lower prices a rival has quoted to certain customers are justified by cost factors or otherwise lawful? How is it to ascertain whether the rival firm offered the price cut to all in the same category?

In other words, how do you determine that your competitor's price is lawful? The answer, of course, is that in many instances you cannot. While a rule of reasonableness may be adopted, its dimensions are too uncertain to encourage price cuts. The net effect, therefore, is to put a premium on inaction rather than on competitive responses. The tendency is to stultify competition rather than to encourage it.

Prices may be reduced either on the initiative of the seller or of the customer. Should both types of reduction be treated alike? The buyer can induce a price reduction in a number of ways. He can meet part of his needs by buying the entire output of a small seller at a favorable price. Or he may find some sellers who can justify a lower price. Or he might find a foreign source of supply with a lower price. Or he can quote a phantom offer. In each instance he can then demand that sellers meet those prices or offers.

#### **Scanty information**

Market information usually is inadequate. Hence



the seller cannot check the alleged price or offer in many instances. Customers have been known to shade available prices in an effort to buy even more cheaply. Thus, the company finds itself asked to meet a price or offer it cannot check and hence to quote what may turn out to be an unlawful price.

Sherman R. Hill, director of the Bureau of Investigation of the Federal Trade Commission, has concluded: "Good faith is not present where the seller acts on unsupported, unverified verbal statements of salesmen, brokers or intending purchasers."

But what other kind of information is available? There is usually not enough time to undertake an extensive study of a competitor's prices. Ordinarily, you meet the alleged offer on the spot—that is, you compete, or you may lose the sale.

Under such conditions, the seller does not take the initiative in cutting prices; the customers take it.

On the other hand, if the seller should initiate selective price reductions in his effort to utilize his capacity more fully, or to obtain an advertising advantage, he will be violating the law unless he can justify the reductions in terms of his costs.

If competition is to play its full role in our economy, price reductions initiated by sellers must be possible as well as those (continued on page 69)

# EIGHT STEPS TO BETTER TRAINING

You can benefit from new findings on the ways in which adults learn

AN INSIGHT into the way adults learn can help you do a better job.

Managers today are deeply involved in adult education in three ways—as learners, as teachers and as school administrators.

They are learners because they want to keep on growing and because they recognize that in this complex and swiftly changing world no one ever knows all that he really needs to know.

They are teachers because they have a personal responsibility for training younger managers who will some day succeed them.

They are school administrators because American business is now spending more than \$2 billion a year to provide formal educational courses for 3.5 million employees—a student body equal to the total undergraduate enrollment of all U. S. colleges and universities.

Modern research has exploded the notion that learning capacity dwindles rapidly as a person ages. It shows that adults can learn effectively at all ages. But it also shows that adults learn in their own way—and this way differs significantly from the way in which children learn.

This discovery has not yet been generally applied to the vast adult educational effort in which business is engaged. Much of the formal and informal training that goes on in the business world is based on the assumption that adults can be taught by the same methods that have proved successful with youngsters.

Extensive studies of adult learning have been carried out at Columbia and Stanford universities; at the Center for the Study of Liberal Education of Adults in Chicago; by

the Adult Education Association of the United States, and by the Ford Foundation's Fund for Adult Education. A great deal of work has also been done in Great Britain and Canada.

Here are some of the important facts that educational research has brought to light about the way in which adults learn:

1. Adults must want to learn.  
Children will do a certain amount

of learning in response to external compulsion. They will, for example, take a course simply because it is required. The desire to make good grades or the dread of flunking will induce them to work hard to master subjects which have no inherent appeal to their interests.

But adults strongly resist learning anything merely because someone says they should. They learn effectively only when they have a strong inner motivation to develop

Methods designed for teaching youngsters





a new skill or to acquire a particular type of knowledge. Their desire to learn may be awakened or stimulated by outside influences, but it can never be forced upon them.

This means that it is a waste of time and money to push employees into required training courses. You can make all your foremen sit through a series of classes on human relations, but the only ones who will benefit will be those who want such instruction enough to take the course voluntarily.

2. Adults will learn only what they feel a need to learn.

Children can be induced to learn many things for which they can see no immediate use. Long-range goals, such as preparing for life or getting into a good college, are often a sufficient motivation to keep them plugging away for years at Latin and algebra.

Adults are much more practical in their approach to learning. They want to know, "How is this going to help me right now?" Sometimes they can be persuaded, through wise counseling, to learn things that will help them in the clearly foreseeable future—as for example, when a promotion is imminent. But

they learn best when they expect to get immediate benefits—when the knowledge or skill they are trying to acquire will be directly useful in meeting a present responsibility.

Furthermore, an adult isn't satisfied with assurances that he will eventually learn something useful from a course of study. He expects results from the first class or lecture or home assignment, and from each succeeding installment of the course. He has no patience with teachers (either in a formal course setting or an informal coaching relationship) who insist on giving him a lot of preliminary background, theory and historical review.

If you want an adult to learn, you must teach him simply and directly what he wants to know: "This is what you do, this is how you do it, this is why it works." If you once let him decide that the training has no relevance to his personal needs, he will become a drop-out—physically, if the training is voluntary; mentally, if his attendance is compelled.

Here lies a clue to bettering your investment in management courses. If you send a promising young man through such a course before he has enough managerial experience to

discover how much he needs it, he isn't likely to learn a great deal.

There is another implication for executives: Before you start teaching a subordinate all the things that you think he should know, find out what he feels a need to learn. Begin with his agenda, and work up to yours.

3. Adults learn by doing.

So do children, but the importance of active participation in the learning process is greater among adults.

Studies have shown that adults will forget within a year at least 50 per cent of what they learn in a passive way (as, for example, by reading a book or listening to a series of lectures). Within two years, they will forget 80 per cent.

But retention of new knowledge or skills is much higher if the adult has immediate and repeated opportunities to practice or use what he has learned.

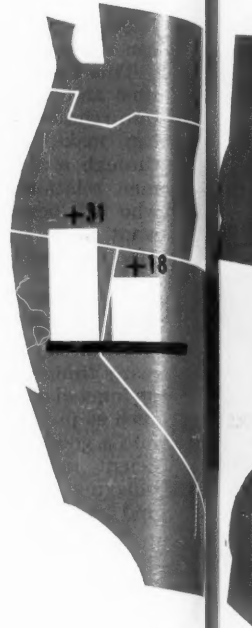
This finding explains why on-the-job training is often the most effective type. It also underscores the importance of timing in all types of industrial training, and particularly manager development. If you can

*(continued on page 90)*

may fail with adults who learn easily but in their own way



**INCOME TRENDS** in America are blasting away the argument that wealthier states should help the poorer ones finance their schools. Facts show the income gap among states is rapidly narrowing. Figures in each of eight major geographical areas (at right) are per capita income trends above and below the continental U. S. average in 1933 and 1959



## FALSE CLAIMS IN

The author, Roger A. Freeman, is widely recognized as an authority on public finance. He is the author of a recent book, "Taxes for the Schools," published by the Institute for Social Science Research. Mr. Freeman directed research for the Education Committee of the President's Commission on Intergovernmental Relations (1954-55) and served as consultant on school finance to the White House Conference on Education in 1955.

A POWERFUL MOVEMENT is under way to shift control over your local school policies to a nationally organized bureaucracy.

The Eighty-seventh Congress is being told that federal funds will quickly solve the public schools' financial problems and raise the quality of education to higher levels.

In reality, enactment of a federal aid program would be detrimental because:

1. It would hinder progress toward urgently needed improvements in local school systems, such as fuller and more effective use of available manpower and facilities.

2. It would shift control over school policies from parents, lay boards, and communities to a remote group of bureaucrats.

3. It would be a fateful step to-

ward the absolute concentration of governmental powers in Washington to transfer responsibility for the largest domestic service—education—to the national level.

4. It would damage civic morale and set a bad example for youth by demonstrating that the way to get the things we want is not to work and pay for them but to seek a way to shift the cost to somebody else.

At the heart of the education controversy is not the question of how much money the public schools need and how it can be provided, or how many classrooms or teachers they should have, or how much the teacher should be paid. The fundamental issue is big government versus home rule.

The drive for federal control, although a century old, will be pushed



# HOW'S BUSINESS?

## today's outlook

### AGRICULTURE

Farm surpluses, especially grain, will continue to accumulate under present agricultural programs with average weather, according to President Kennedy's task force report on agriculture.

The special study committee saw little chance of substantial expansion in the domestic market, beyond that caused by population growth, or in the export market. The advisers warned that, if present programs continue unchanged, net income to commercial farmers will decline further in the next five years. Gross returns would increase production costs.

Their recommendations were:

1. Expand the land-retirement program, with emphasis on whole farms and feed grain areas.
2. Curtail government programs which tend to increase production, such as conservation and reclamation projects.
3. No increase in price supports for wheat and corn.
4. Expand the rural development program to help increase the earning power of many people.

### CONSTRUCTION

A type of home ownership which has been almost untried in the United States will become increasingly important.

This is individual ownership of single-family residences in multi-unit structures.

Much used in both South Ameri-

ca and Europe—where it is called "condominium"—this method provides a workable basis for solving middle-income housing problems.

For years, the trend in middle-income rental units in city centers has been toward high-rise apartments. Large numbers of such structures have been built because they permit efficient use of land.

Although the trend in sales units in city centers has also been toward multi-unit structures, relatively few have been built. Many say that purchase opportunities in cities are largely limited to cooperative developments, which give the purchaser a share in a project rather than title to a home.

The condominium approach will give increased numbers of buyers the opportunity to hold title to homes in city centers.

### CREDIT & FINANCE

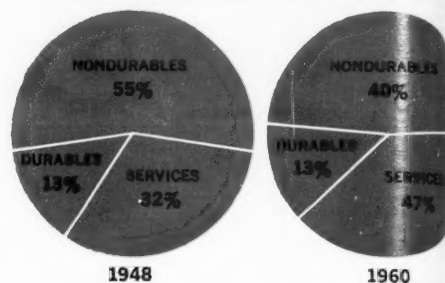
The field of credit and finance is in for some changes in the months ahead.

President Kennedy has already directed the Federal Housing Administration to lower its rates on mortgages from 5.75 to 5.5 per cent.

The President also directed that the Communities Facilities Administration reduce interest rates on new loans, and that the program be broadened.

In his later message on balance of payments and gold, President Kennedy previewed his program with the following statements of direction: The official price of gold

### U.S. BUYING HABITS CHANGING



BIG TREND IS TO SPENDING FOR SERVICES

Source: Department of Commerce

will be maintained at \$35 an ounce; we must place maximum efforts on expanding our exports; we must increase the flow of resources from the industrialized countries to the developing countries.

Some of these suggestions are new, others are not. Only time can tell the final effect on our monetary system and credit.

### DISTRIBUTION

Marked changes in consumer spending developed between 1948 and 1960, according to the U. S. Department of Commerce.

Spending for food and beverage, for example, declined from more than 30 cents out of the consumer dollar in 1948 to 25 cents in 1960.

Purchases of new and used cars and automobile parts, on the other hand, accounted for 5.5 per cent of the consumer budget in 1960 against four per cent in 1948. Also, gasoline and oil moved up from 2.5 per cent of total spending in 1948 to 3.5 per cent in 1960.

The spending ratio for furniture and household equipment in 1960 was slightly below that in 1948—even though ratios for phonographs, records, musical instruments, radios and TV sets increased.

While money spent on services of all types went up from 32 to 40 per cent, transportation and recreational services tapered off.

Services showing upward shifts include medical care, barbering, beauty culture, hotel-motel accommodations, and household utilities.



# Chamber of Commerce of the United States

## FOREIGN TRADE

In view of the new International Cooperation Administration procurement policy, many U. S. firms may now be in position to bid on ICA-financed purchases.

The ICA, a U. S. foreign aid agency utilizing public funds, has adopted a policy which will place primary emphasis on financing goods and services of U. S. origin in all of its activities. A ceiling has been placed on operations which do not finance direct procurement of U. S. goods and services. These efforts are being made to minimize the balance of payments effect of ICA operations.

Commodities now being bought abroad with ICA funds are to be reduced to the lowest possible figure.

American manufacturers and interested firms should write to the Director, Office of Small Business, International Cooperation Administration, Washington 25, D. C., requesting that they be placed on its mailing list so they will receive information promptly on procurement under future ICA authorizations.

## GOVERNMENT SPENDING

A recent movement in the House is providing encouragement to governmental economy advocates. A letter was sent urging all members of the House to join in a movement to end backdoor spending—financing of programs by borrowing from the Treasury rather than direct appropriations. This letter, signed by the Committee Against Backdoor Spending, generated favorable replies from more than 100 members in a short time.

The antibackdoor spending move was spearheaded by Congressman Thomas M. Pelly, Republican of Washington, and three other House members. They feel that it will be the most important improvement in congressional procedure to come before the Eighty-seventh Congress.

It is expected that the movement will encounter strong opposition but members of the Committee are optimistic about passage if it can be brought to a vote on the House floor.

## LABOR

Leaders of organized labor have been seeking high level consulta-

tions between labor and management. The new Administration is implementing the idea.

Many business leaders look with qualms on such consultations. They feel that they have valid reasons.

What good can come from the meetings? Such efforts in the past have not produced many constructive results. Why array labor and management against one another in this way?

Why emphasize the difference between management and labor by forcing these two groups to discuss their differences? Their basic difference is one of political philosophy. Labor generally favors big government with heavy spending. Management favors limited government with emphasis on individual initiative. Meetings will not resolve this difference.

## NATURAL RESOURCES

The Senate Select Committee on Water Resources, in a recent report to Congress, has assembled a score of documents dealing with multi-billion dollar developments for the nation's water resources in the next 20 to 40 years.

The report supplied to the Committee by the electric power industry predicted that, over the next 20 years, investor-owned electric companies will spend more than \$143 billion for construction. In the next two decades, these companies will pay nearly \$102 billion in local, state and federal taxes.

Other recent studies indicate a continuation of a high plant-growth rate for the investor-owned utilities. Indeed, the utilities may provide the major share of industrial plant increase in 1961. More and more financing will be needed to take care of such growth.

Federal power development also will receive increasing emphasis in the coming decade.

## TAXATION

Just how many of the tax bills referred to the Ways and Means Committee will reach the House floor depends principally on two factors: 1, The President's coming tax recommendations and, 2, the results of various studies and surveys being undertaken by the Treasury and committee staffs.

H. R. 2, the Curtis-Ikard bill, has

many sponsors. The same bill has been introduced in the Senate by Senator Sparkman with 25 cosponsors. Generally, the bill would allow as a deduction an amount measured by an additional investment in a trade or business—\$30,000 or 20 per cent of taxable income—whichever is lesser.

The Herlong-Baker major tax reform bill is back again.

Other bills introduced, some with multiple backing, call for repeal of certain excise taxes, changes in corporate tax rates, taxation of co-operatives and mutuals, depletion allowance changes, more liberal depreciation allowances, tax incentives for depressed area industries, deduction for educational expenses, and a host of others.

## TRANSPORTATION

The expanded highway program is coming under closer scrutiny. The reports by the Secretary of Commerce, providing valuable research information not previously available, will give Congress some answers to the problem of highway financing.

On June 30 the temporary one-cent gasoline tax is to expire and half of the automotive excise taxes is to be transferred from the general fund to the Highway Trust Fund. The 1961 cost estimate indicates that, under present legislation, the program will have a \$10 billion deficit by 1972. Thus, Congress must develop a financing policy early this year to avoid disrupting the program schedule.

The "Final Report of the Highway Cost Allocation Study" goes only part way in assessing the impact of the program on the economy. Still to be submitted is a major part of the report based on road tests.

The concern over financing stems from the lack of sound long-range policy involving pay-as-you-go, whether to increase user taxes or to obtain funds from the general fund.

The outgoing Administration suggested an increase in the gasoline tax from three to 4.5 cents, rescinding legislation to transfer automotive excise tax revenues from the general fund to the Highway Trust Fund, the transfer of revenues from aviation gasoline tax (2 cents per gallon) to the general fund, and the financing of forest and public lands highways from the Trust Fund.

## Federal control of schools may come by a process of accretion and infiltration

should be made by local units of government will have to go. . . . The national welfare demands a national system of education. . . ."

### "Grass-roots-ism" attacked

Other educators demand "a gradual weakening of local autonomy over the school and a gradual emergence of control mechanisms that are not so socially and politically proximate to the educational worker." Some deride "our historical love affair with what might be called 'grass-roots-ism' in American education."

One federal aid advocate—Myron Lieberman of the Educational Research Council of Greater Cleveland—declares that "local control of education has clearly outlived its usefulness on the American scene," that "local control cannot in practice be reconciled with the ideals of a democratic society," and that "our present system of local control is far more conducive to totalitarianism than a national system of schools would be." In his book, "The Future of Public Education," Mr. Lieberman proposes that "local control of education by laymen should be limited to peripheral and ceremonial functions of education." He states that "the crux of the matter is that centralization itself will hasten the establishment of professional autonomy." Mr. Lieberman concludes: "I am convinced that we are about to move rapidly toward a national system of education."

If education becomes federalized it will not be because the people want this to happen. The National Education Association and the American Association of School Administrators have stated: "At no one time will they [the people] clearly and decisively take action to make the national government the predominant agent of educational control. Rather, national control of schools will come by a process of accretion and infiltration. This is how it has happened thus far."

It is significant that the demand for federal aid does not come from those who are legally responsible for the schools and their support—the boards of education and state governments. No witness represent-

ing a state or local board of education has appeared before a congressional committee to testify in favor of federal aid for some years. Several have testified against it.

The success of the overwhelming majority of school bond and tax issues and the steeply rising size of school income demonstrate that the American people are interested in and willing to support their schools in the traditional manner without compulsion by the national government. But they do need more factual information. It is essential to give adequate publicity to the facts.

The most frequently used arguments for federal school aid are:

1. Federal aid to education is a long-established American tradition.
2. The schools are suffering from severe shortages of classrooms and of teachers because of inadequate financial support.
3. States and communities lack the capacity to raise sufficient funds.
4. Federal taxes are better than state and local taxes.

Let us review these arguments.

### Argument No. 1 "Federal aid to education is a long-established American tradition."

The national and state constitutions and the record of school support since the inception of the republic prove that education has always been regarded as a responsibility of the states and of private groups. In spite of this, some claim that federal aid is older than the Constitution. They point to the land grants first authorized by the Ordinance of 1785 as proof that the principle has long been settled.

It is true that the federal government over the years deeded 77 million acres to the states as an endowment for the schools. This was part of the disposition of more than one billion acres of the national domain to homesteaders, railroads, and other groups whom the government encouraged to develop the West.

No grants or other benefits were provided to the 13 states where, at the time, more than 98 per cent of all American children lived.

Is it conceivable that Congress would have channeled all grants to areas where almost no American children lived and none to the sec-

tions where the children actually were and needed an education, if federal promotion or support of education was the purpose?

What happened subsequently? Hundreds of proposals to provide national support for local schools have been before Congress since the first bill was introduced in 1870. None was enacted. Meanwhile, grants for about 100 other state and local activities were approved which will total \$8 billion in fiscal 1962.

Some of them affect the schools although they can by no means be called aid to education. The school lunch program, for example, is a measure to dispose of agricultural surpluses and is administered by the Department of Agriculture. Some areas got payments in lieu of taxes to communities where expanded federal activities have imposed a special burden.

Only two current school programs can be called aid to education, those for vocational training and the National Defense Education Act of 1958, which is due to expire in 1962. These programs, combined, total more than \$200 million this year, which is less than one per cent of the school budget and slightly more than one tenth of one per cent of the federal budget. Both were enacted ostensibly for defense purposes, and both aim to promote certain specified subjects on the curriculum—a clear case of control.

Why has Congress enacted dozens of aid programs for other purposes but almost none for the schools?

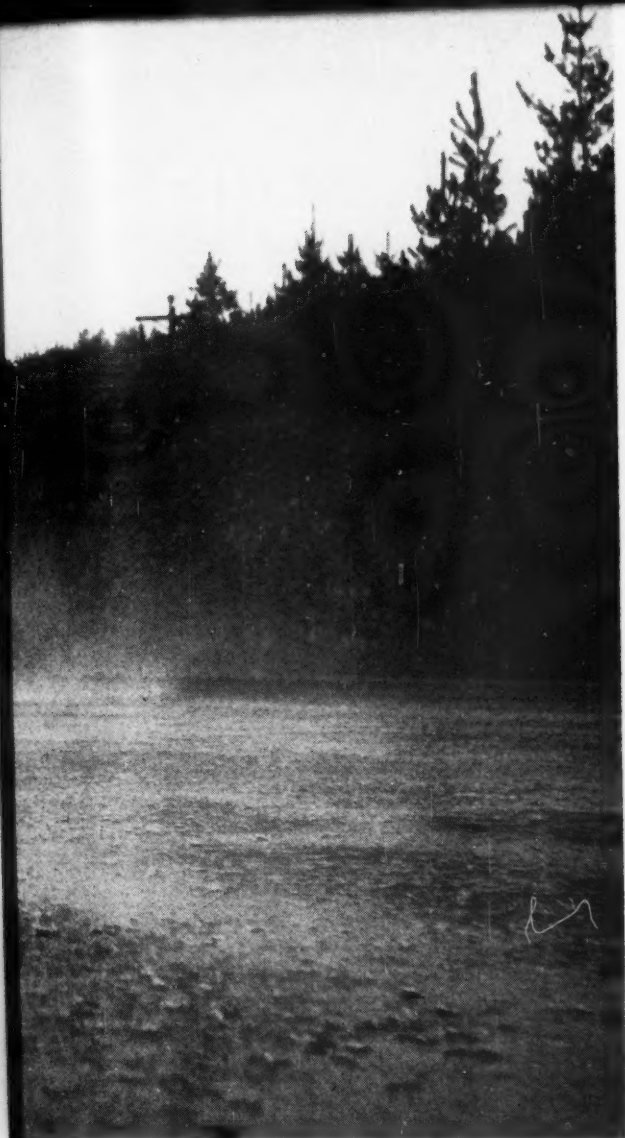
A good reply appeared in the report of a congressional committee some years ago: "Our schools are one of the few remaining bulwarks of local self-government and community enterprise. They should so remain. They have, on the whole, been well managed and generously supported. We have today too much centralization of control over the affairs of our citizens in a federal bureaucracy. We should not add to it by this new excursion into the field of education."

### Argument No. 2 "The schools are suffering from severe shortages of classrooms and teachers because of inadequate financial support."

The record shows clearly that school support and the number of classrooms and teachers have been climbing more rapidly than enrollment and that many of the shortage reports are exaggerations.

One technique has been to overestimate enrollment and to under-

(continued on page 50)



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#### COST SUMMARY

Miles traveled	19,600
Gallons of gasoline used	777
Miles per gallon	25.2
Total operating cost	\$364.19*
Cost per mile	\$ .0185*

\*Includes gas, oil, lubrications and tires.





## FALSE CLAIMS

*continued*

estimate the number of teachers and classrooms at the beginning of the year when the federal aid debate is hot and then to adjust the figures after Congress has gone home. For example, the National Education Association reported early in 1960 in its "Estimates of School Statistics 1959-60" that enrollment had grown 1,447,525 and the number of teachers 60,422 over the preceding year. When the 1960-61 edition of that report was released, the pupil increase turned out to have been only 1,085,660 while the instructional staff had grown 70,017.

The Office of Education, in August 1960, reported an increase in public school enrollment (1959-60 to 1960-61) of 1.4 million. But a comparison of the actual enrollment in fall 1959 and fall 1960 now reveals a growth of only 1,018,927 pupils. The Secretary of Health, Education and Welfare reported early in 1960 that school construction had dropped from 70,000 classrooms in 1958-59 to 62,700 in 1959-60. This statement was given wide publicity and often cited in congressional debates. But a summary released in January 1961 shows that construction remained remarkably stable. It equaled:

69,500 classrooms in 1958-59

69,400 classrooms in 1959-60 and was estimated at

69,600 classrooms in 1960-61.

It appears, then, that there were 360,000 fewer pupils but 10,000 more teachers and 7,000 more classrooms in the public schools than Congress and the public were told early in 1960.

The size of the classroom shortage has long been controversial. The Commissioner of Education testified in October 1954 to a deficiency of 370,000 classrooms. He said he expected the deficiency to grow. The chairman of the Senate Labor and Public Welfare Committee predicted a little later that schools would be short 600,000 classrooms by 1958. Finding itself under a barrage of criticism, the Office of Education then started paring its shortage reports until they hit a low of 132,400 in the fall of 1959. The fall 1960 report, however, showed an increase to 142,100 although 69,400 new classrooms were completed in the preceding year which—after taking care of a one-million-pupil increase and a reported abandonment of 17,800 classrooms—still left a minimum of 15,000 classrooms avail-

able to reduce any shortage that might have existed.

But in 1960, as in each of the preceding years, several states re-evaluated their shortages and upped them by several thousand classrooms.

The reports on "pupils in excess of normal capacity" are utterly meaningless. For example, Alabama, where enrollment remained virtually stable between fall 1958 and 1960, and where meanwhile 4,184 classrooms were built (enough to accommodate 120,000 pupils), jumped the number of "pupils in excess of normal capacity" from 56,000 to 143,600. Examiners of the Bureau of the Budget surveyed classroom shortages in nine states early in 1960, and censured some of the reports that had been issued. They criticized the proposed new classroom shortage report. But the Secretary of Health, Education and Welfare eventually released it anyway, on his last day in office—Jan. 19, 1961.

The facts of the classroom situation are clear-cut. Since 1954, when a national school plant inventory

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**Communists circulate  
more than 10 million  
publications in U. S.  
Ways to stem the  
flow are on page 36**

---

was taken, enrollment in the public schools has grown 24 per cent. The number of classrooms in use has grown 36 per cent. The number of pupils per classroom has dropped from 30.6 to 27.8. More than half the children are now in classrooms built since the war. These are modern rooms and will not require replacement for a long time. Within the past decade 600,000 new classrooms were completed while attendance grew 11.5 million, requiring an addition of 400,000 classrooms. So, about 200,000 classrooms were available for replacement and reduction of class sizes.

The truth is that America's public school children are better housed than they have ever been before, and far better than the children of any other nation.

The school building outlook is good. The record approval rate of school bond issues in 1960 suggests no slackening of building in the years immediately ahead. Even if school construction should mate-

rially decline from its present level during the 1960's, it could still produce all the classrooms which the Office of Education says are needed.

The teacher supply situation also has improved rapidly. The Office of Education raised its annual teacher shortage reports from 72,000 in the fall of 1953 to 195,000 in the fall of 1959, although in those six years the instructional staff in the public schools grew 33.4 per cent, enrollment only 24.6 per cent. The number of pupils per teacher declined. When the reports were sharply criticized, the Office of Education omitted the teacher shortage report from its annual statistical survey in the fall of 1960.

The facts are manifest. The number of pupils per teacher has dropped in the public schools from 36 in 1900 to 29 in 1930 and to 24.4 in 1960-61. At this rate there may be only 23 to 24 pupils per teacher by 1970.

We may be facing a teacher surplus in the late 1960's. School enrollment increases which have been running between one million and 1.2 million pupils annually in recent years will fall to about half their present size by 1970. But the number of college degrees is expected to jump from 405,000 in 1960 to 718,000 in 1970.

Last year 130,000 men and women completed teaching certificate requirements, equal to 31 per cent of all college students who earned a bachelor's degree. That percentage has risen from 21 per cent in 1948 to 31 per cent in 1956 and remained stable since then.

If it is maintained through the 1960's, we will be increasing the number of newly prepared teachers by 75 per cent in a period when school enrollment increases are cut in half.

### **Trend in teachers' pay**

It is now being admitted that teachers' pay has risen proportionately faster than the income of other wage and salary earners. Only if comparison is made with the depression years of the 1930's, when incomes generally fell sharply while teachers salaries suffered little, does it appear that teachers have lost in relative standing.

Over the past 30 years the pay of federal civilian employees rose 73 per cent and teachers' salaries 106 per cent (both in price-adjusted dollars). How would teachers have fared if they had been on the federal payroll?

A survey by the Women's Bureau of the Labor Department disclosed



**Fills the  
chair when  
no one's  
there**



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# **ELECTRONIC SECRETARY**

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## FALSE CLAIMS

*continued*

that nearly two thirds of recent women college graduates hold teaching jobs and earn, on the average, \$150 a year more than their classmates who followed other careers. Moreover, virtually all of those in nonschool occupations work about 240 days a year, teachers only 180 days. So teachers get at least one-third higher pay, on a time-worked basis, than others.

Currently almost three fourths of the public school teachers are women. The men's salaries do not compare as favorably with other professional workers. Men teachers earn less than physicians, lawyers, engineers, and some others.

It appears likely that teachers will not attain full professional status as long as they insist upon union-type wage scales. The pay of other professional workers is set by performance and by demonstrated merit, not by the number of college credits and the years served. Able and ambitious young men generally prefer careers in which their advance is not held to small annual increments with an upper ceiling; they aim to go as far and as fast as their capacity will take them. They can't do this in the schools.

Even so, a growing number of men have been applying for teaching jobs. In the past five years the men teachers in the public schools increased 47 per cent, women teachers only 18 per cent. The Office of Education recently noted that, for the first time in history, male teachers in the high schools outnumber women.

The teachers' problem cannot be solved until certain basic changes are made in the programs of teacher education, certification, and compensation. Federal aid would tend to obstruct rather than advance progress.

The device of state plans to be drafted by state education departments subject to approval by the U. S. Commissioner of Education, which are required under many of the federal aid bills, would strengthen the hand of those who aim to turn voluntary plans of school accreditation and teacher certification into nationally uniform requirements. This would soon lead to a national school system in all but name.

The record of public school support stands as dramatic testimony to the faith of the American people in education. In the first 60 years of

this century public consumption expenditures multiplied 25 times but school expenditures multiplied 74 fold (in current dollars). Simultaneously, the population of the United States grew slightly faster than public school enrollment. Public school outlays climbed from 1.5 per cent of the national income in 1900 to four per cent in 1960; expenditures for all education, higher and lower, public and private, now approximate six per cent of the national income.

Inadequacies in the current product of our educational institutions cannot be blamed on inadequate support. It is unlikely that the schools would have done better if they had depended on the national government rather than states and communities. They might have done worse.

### **Argument No. 3** *"States and localities lack the capacity to raise sufficient funds."*

Closer study shows that the job of supporting the schools will be easier in the next ten years than it was in the past decade.

In the past decade school enrollment grew faster than national income. School revenues grew at more than twice the rate of enrollment or national income. Between 1960 and 1970, school enrollment is expected to expand only 20 per cent to 22 per cent—approximately half the rate of the 1950's. National income is expected to grow between 40 per cent and 45 per cent and possibly as much as 50 per cent. Why should states and communities not be able to keep raising their school appropriations sufficiently in the decade of the 1960's?

Some observers claim that federal revenues expand rapidly as the economy grows but that state and local revenues lag. This is contrary to the historic facts. State and local revenues have consistently grown faster than either federal revenues or national income, except during wartime.

Since 1944 federal revenues have risen 68 per cent, and state and local revenues a spectacular 259 per cent.

Demand for federal school aid has also been based on the claim that the national share of tax collections has jumped from one third to two thirds and that, therefore, the national government ought to assume a responsibility for education. The record shows that the national slice of all governmental revenues increased only during major wars, and that the state and local

share invariably expanded in time of peace.

The national government now takes 64 per cent of all public revenues. If additional responsibilities were piled on the Treasury, its share of revenues would have to rise.

This would make it even more difficult for states and localities to finance their activities.

The claim of a superior fiscal capacity of the federal government is fiction. Federal revenues have been inadequate to meet expenditures 80 per cent of the time in the past 30 years.

Proponents of federal school aid seem to assume that American parents cannot or will not tax themselves sufficiently for the education of their children. Both assumptions are absurd. America's children do not need Uncle Sam to protect them from their selfish parents. If Congress will keep a tight rein on spending so that taxes can be cut, states and localities could then adjust their own taxes to take care of their school responsibility.

The case for federal aid to low-income states has been greatly weakened in recent decades. Most of the enrollment increases have occurred, and will continue to take place, in the wealthier states; income differentials have been cut in half; teacher salaries and school conditions in general have improved relatively more in the poorer states. Nor should it be forgotten that the dollar buys more in some states than in others.

Most federal aid bills in recent years would have authorized annual appropriations between \$250 million and \$1 billion. They would be of limited help in a school budget which totals \$16 billion and is expected to rise to \$24 billion to \$30 billion within the next decade. The sums proposed so far would be mere token aid. A bill totaling \$500 million or \$1 billion would still leave the states with the responsibility of providing 95 per cent or more of the school support, but it would pave the way for a national system of education.

### **Argument No. 4** *"Federal taxes are better than state and local taxes."*

Another claim is that the burden of federal taxes is largely borne by the wealthy and the big corporations while state and local taxes are paid by persons in middle and low-income brackets. The average man is promised that he can get tax relief by shifting local responsibilities to the federal level. This invita-

## FALSE CLAIMS

*continued*

tion to soak the rich has contributed much to the mythology of federal aid.

True, federal tax rates are extremely heavy in the higher income brackets, running up to 91 per cent. They impose a severe penalty upon effort and economic success, have weakened incentives and may have materially retarded economic growth in the United States.

### **Middle class pays most**

But in spite of these high rates, only a small share of all tax collections comes from wealthy persons. In a country in which well-being is so widely distributed and in which three fourths of all personal income goes to wage earners, most of the taxes must be obtained from where most of the money is: the middle-income groups. Only 13 per cent of the federal individual income tax is derived from the steeply progressive rates.

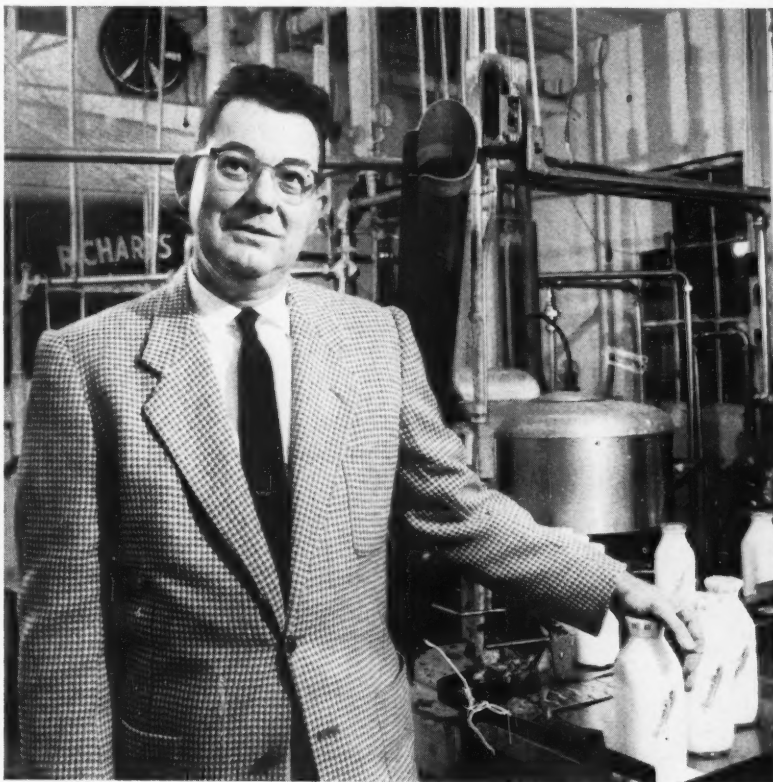
The fact is that only the small groups at the top and at the bottom of the income scale—the very rich and the very poor—are materially affected by a shift in the method of taxation. Those in between bear most of the taxes no matter how levied or collected. They cannot escape by the device of federal aid.

The promise that federal aid will give taxpayers and schools something for nothing—money that won't cost anybody anything—has made an undeniable impact. Those in favor of it are confident. The staff of the Office of Education was doubled within the past three years and its expenditures more than quadrupled in the past six years. But this is barely a beginning. A memorandum circulated within the Office last fall predicted that "the role of the Office of Education is going to explode in the decade ahead."

The authors of the memorandum pointed to the success of the Life Adjustment Education Movement which the Office of Education sponsored 14 years ago and outlined a plan to "develop a national policy in education," to reshape curricula and organization and remodel the public schools. This should be brought about by the enactment of general federal aid, by "a federal contribution far beyond anything seen in the past."

Whether these hopes—which clearly are against the wishes and the best interests of the American people—materialize will depend on the attitude of Congress. **END**

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# DARE TO PLAY YOUR HUNCHES



## Practical pointers on when and

WOULD YOU readily admit to your board of directors that you based your decision on a major question of corporate policy primarily on a "hunch"?

Would you look favorably upon a subordinate who told you he was sure he had the right answer to a problem although he could not give explicit reasons to prove it?

If you can honestly answer "yes" to either of those questions, you are a rare exception among today's managers.

Businessmen have been conditioned, by education and environment, to believe the only safe way to reach important decisions is by the logical, step-by-step reasoning process called analytic thinking.

They have been taught to distrust intuitive thinking in which the mind leaps forward to a conclusion without plodding through a conscious analysis.

This bias against intuition is not a product of business experience. It is something that businessmen have absorbed from the intellectual climate in which they grew up. For many years, psychologists treated intuition as something women talk

about when they want to justify an irrational decision.

This attitude is changing. Instead of scorning intuition, psychologists are saying it is an extremely valuable mental process which businessmen should develop in themselves and encourage in their subordinates.

"Intuitive thinking, the training of hunches, is a much neglected and essential feature of productive thinking, not only in formal academic disciplines, but also in everyday life," says Dr. Jerome S. Bruner, professor of psychology at Harvard.

"The shrewd guess, the fertile hypothesis, the courageous leap to a tentative conclusion—these are the most valuable coin of the thinker, whatever his line of work."

Prof. Mason Haire of the University of California, a psychologist who acts as a consultant to some of the nation's top business firms, goes even farther.

"It is practically impossible to be truly creative without intuitive leaps," he told NATION'S BUSINESS in an interview.

"The business organization which insists that all major decisions must be based on demonstrable facts and





## how to rely on your intuition

analytic judgment has little chance of ever being right in a big and spectacular way."

It may be helpful at this point to define what psychologists mean by analytic and intuitive thinking.

Analytic thinking is the kind in which you proceed methodically, one step at a time, with a full awareness of what you are doing. Your reasoning may be deductive—that is, it may move from a premise to a conclusion. Or it may be inductive, moving from observed facts to a generalization or analogy.

In either case, you are conscious of the information and logic which leads to each step in your thinking. If anyone asks why you reached a conclusion, you can explain in explicit detail.

### **What intuition is**

Intuitive thinking is the kind in which the answer to a question or the solution to a problem seems to come to you suddenly, in a flash of insight or understanding. You can rarely explain how or why you arrived at that conclusion, since you had no conscious awareness of intermediate steps of thought. But

you usually feel strongly that the decision is right, and that its rightness is somehow self-evident.

No one knows exactly how intuition works. But there is abundant evidence that the human mind can and does operate, below the level of consciousness, with incredible speed. It performs lightning calculations, for example, every time you see an object, for what is really involved in the seemingly simple and instantaneous act of seeing is actually the translation of numerous light patterns into a complex act of perception and recognition.

Professor Haire and other psychologists believe that intuition is simply a case of the mind's performing rapidly, below the level of consciousness, the intermediate steps of induction and deduction which are performed consciously—and much more slowly—in analytic thought.

Popular usage often equates intuition with guessing, but there is a world of difference, according to Professor Haire.

"A man is guessing when he doesn't know the facts or doesn't understand a problem," he says. "But intuitive thinking is always

based on a sound and thorough knowledge of the subject under consideration.

"I don't mean that you must know all of the facts about a situation before you can reach an intuitive decision. On the contrary, a mind that is too clogged with detailed data may be in a poor posture for an intuitive leap. What you need is familiarity with the basic structure of a problem, and the broad relationships which exist between its various aspects."

Professor Bruner expresses a similar view. Intuition, he says, seems to involve "an implicit perception of the total problem."

In more everyday language, then, intuition is a mental short-cut which you can take when you can see the forest instead of the trees.

### **Scientific vs. unscientific**

Businessmen have been reluctant to use this shortcut for two reasons.

First, they have the idea that analytic thinking is scientific and intuitive thinking is unscientific.

This prejudice has never been shared by scientists and mathematicians. They have always regarded

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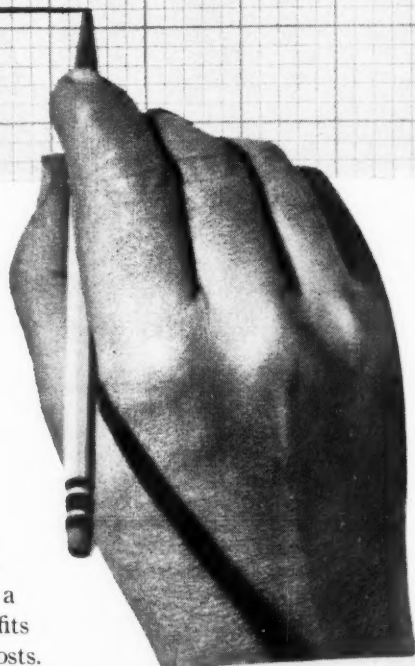
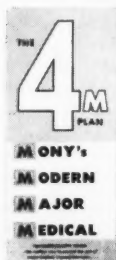
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## HUNCHES

*continued*

intuition as the highest form of creative thought, and many of their greatest discoveries have been the result of it.

The story of Archimedes is an example. The great Greek mathematician had been ordered by his king to find out whether the royal crown was made of pure gold. Archimedes could think of no way of testing the crown without melting it down for assay, which the king wouldn't like.

One day, while he was sitting in the public baths, he noticed that the water spilled out of the bath when he lowered his body into it. Without further conscious cerebration, he knew immediately that he could test the gold content of the king's crown by weighing the amount of water it displaced.

He ran through the streets naked, crying "Eureka!"—"I have found it!" What he had found, of course, was the principle of specific gravity, which remains a basic concept of physical science 2,100 years later.

Possibly the most spectacular intuitive leap in the history of science occurred in our own day. It was the late Prof. Albert Einstein's General Theory of Relativity. Dr. Einstein acknowledged when he published the theory that he had not worked out the proofs to support it. But he knew it was right, and he left to others the tedious task of filling in the intermediate steps of analysis and demonstration.

### Testing intuitive decisions

Businessmen also have been told that analytic thinking is more reliable than intuitive thinking.

Some psychologists still hold to this view. They accept intuition as a useful means for arriving speedily at a tentative conclusion or a working hypothesis. But they insist that intuitive decisions should always be tested by analytic processes.

Professor Haire thinks this is an unnecessary limitation on the role of intuition.

Intuitive thought is most valuable, he says, precisely when it is least susceptible of being rechecked by analytic procedures—that is, when it soars beyond the readily-discernible facts or the surface logic of a situation.

"Intuition may sometimes lead to a wrong answer," he says. "But so may analytic thinking, which is not nearly as foolproof as modern folklore would have you believe. Business decisions inherently involve

risk. You are merely kidding yourself when you act as if you can eliminate the gamble by sticking to purely analytic methods of attack on your problems.

"On the contrary, by being too cautious you may avoid small mistakes and fall into the greatest mistake of all—failing to be bold and creative at the right time."

### Two success stories

Dr. Haire's respect for intuitive business decisions has been heightened by the experience of two firms.

One is the Polaroid-Land Company, which markets a unique camera invented by its president, Emory Land. The camera develops pictures as soon as they are taken.

"There was a lot of resistance to the new camera," Dr. Haire recalls.

"An effort was made to resolve the issue in the accepted analytical way. Extensive market research was conducted. This research clearly indicated that there would be no market for the new product. The research report said the Land camera was too expensive to be sold as a toy, and not good enough to be sold as a fine photographic instrument.

"But Emory Land had an unshakable conviction that the camera would sell. Fortunately, his intuition prevailed."

Another executive who had the courage to back a hunch was George Long, president of Ampex Corporation of Redwood City, Calif.

Early in the postwar television boom, Mr. Long foresaw a huge potential market for any product that would make it possible to transcribe TV programs for distribution and rebroadcast. Several firms had done research on the problem, but had found the technical difficulties too great.

"Ampex was much too small a company to tackle this thing," says Dr. Haire. "But George Long went ahead anyway, because he knew this was right. The result was videotape, which has made Ampex one of the most prosperous firms in the country."

### How to use intuition

Now, a few practical pointers which may help you to determine whether, when, and how to rely on intuition in making your own business decisions:

1. Some people are much better "intuiters" than others. It's not a question of superior intelligence or wisdom; it's simply a matter of how your mind works best. Professor Haire suggests a simple private experiment. "Write down your

hunches and see how they turn out. If you discover after a reasonable period of self-testing that you have a high batting average, you can have confidence in your capacity for intuitive thought." In a similar fashion, you can test your subordinates, and find out whose hunches are most often fertile.

2. Do not confuse genuine intuition, which is a thought process, with instinctive reactions, which may be the products of prejudice, desire or other strong emotions. The best way to avoid this pitfall is to subject your supposed intuitions to a negative test. Is this the same decision you would have reached had you merely consulted your emotions? If so, you are on dubious ground in regarding it as bona fide intuition.

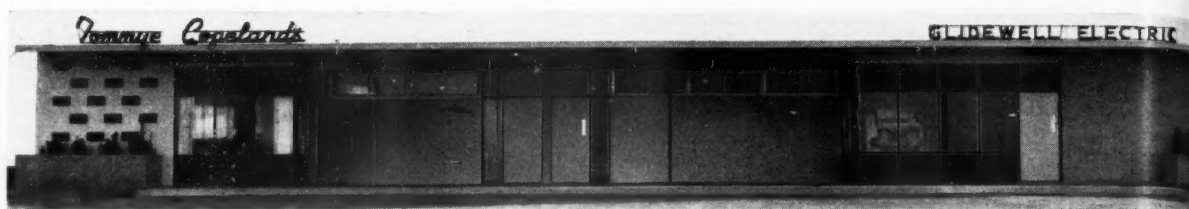
3. Remember that intuition is a way of thinking, not a mystical type of clairvoyance. Your mind must be thoroughly engaged with a problem and you must have the basic facts straight before intuitive processes can lead you to a right decision about it. This means, among other things, that you should never try to use intuition as an excuse for failing to inform yourself as fully as possible about the problem at hand.

4. Intuitive and analytic thought are not mutually exclusive alternatives. The wise manager will use one or the other—or a combination—depending on the nature of the problem he faces. For example, planning a production process, engineering a new product, or diagnosing an assembly-line slowdown clearly call for hard analytic thought. Both analytic thought and intuitive judgments might be involved in the choice of a new product design, or planning an advertising campaign. Sheer intuition is most likely to play a part in long-range planning, estimating the size of future markets, or other decisions which require you to assess the net result of a large number of complex and interrelated factors.

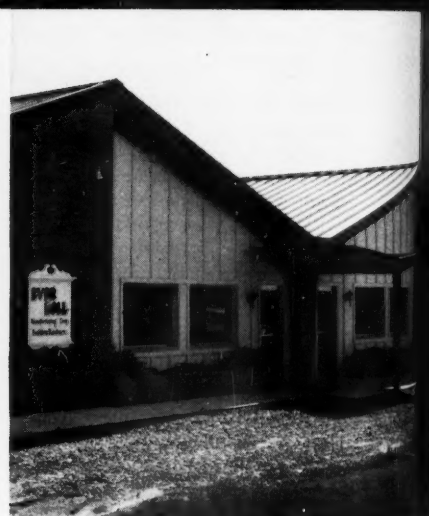
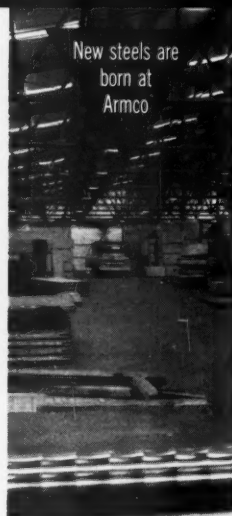
5. You cannot force your mind to yield an intuitive decision, nor can you predict when it will serve one up. If you have a problem, tackle it consciously, learn as much about it as you can, try to solve it by the usual analytic processes. The flash of insight may come while you're actively wrestling with the problem—or later, after you've put it out of your mind for a while. Or it may never come at all.

The important thing is to recognize the manna when it falls at your feet. **END**





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## SPECIAL LETTER

### NATION'S BUSINESS EDITORS REPORT ON: timetable for upturn

TIMETABLE for business improvement: Approximately three months away.

That's when economic slippage will saucer out.

Statistical bottom--economists' term for time when indicators will stop going down and start up--is expected before hot summer weather.

Business pace will quicken in fall, and '62 will see U. S. economy again in full boom.

\* \* \*

BUSINESS PUSH will come from these forces: Consumers, government, foreign countries.

Future shapes up like this:

\* \* \*

CONSUMERS--Personal consumption now is running at annual rate of approximately \$330 billion. That's total value of all goods and services being purchased by individuals. Buying will dip roughly one per cent from peak reached just before last Christmas. Spending will begin to pick up in two to three months, rise slowly through summer, hit an estimated \$336 billion by year-end.

In '62 personal consumption will shoot up to \$360 billion, maybe more.

\* \* \*

GOVERNMENT--Purchases of goods and services by state, federal, local governments have reached \$103 billion-a-year mark. Figure compares with \$97.1 billion in '59, slightly more last year. Outlays will rise rapidly in months ahead, top an estimated \$109 billion at year-end. Rate of expansion will be faster than average for recent years.

Total government spending--including salaries for government workers, refunds, other outlays--will reach roughly \$145 billion this year (up from \$131.6 billion in '59). Rate of total expenditures is expected to top

## SPECIAL LETTER: TIMETABLE FOR UPTURN

\$150 billion in 15 to 18 months, maybe sooner. Expansion of federal purchases will push total spending up an estimated \$3.8 billion this year (\$2.5 billion of it an increase in defense buying). Trends in state and local buying will continue going up about \$3.5 billion. Number of government employes also will rise. So will their pay.

\* \* \*

FOREIGN TRADE--More expansion is coming. To get future trends in focus look back two years. From that time to present, foreign sales have zoomed. Imports have drifted gradually downward.

For year ahead exports are expected to go on rising, but at slower rate. Our foreign sales have been climbing rapidly because of big purchases by Japan and Western Europe. But other world regions are coming up, too. This is expected to continue.

Here's shape of foreign trade prospects: Exports in '59 exceeded imports by \$1.1 billion. Last year exports jumped \$4.5 billion ahead of imports. For year ahead it's likely that both exports and imports will climb, with exports topping imports by something like \$5.5 billion.

\* \* \*

BUSINESSMEN are cautious. They want to avoid overexpansion. That shows up in planned expenditures for new plant and equipment. Businessmen are cautious, too, about building up large inventories. Production capacity in most industries currently exceeds demand. This makes expenditures for capacity enlargement unneeded, makes investment in bigger inventory appear unwise to many businessmen.

But need for cost reduction keeps mounting. Hence, businessmen will keep on spending large sums for cost-reduction equipment, plant modernization.

Spending for research also will continue to rise. Research is aimed at new products, lower costs, improved methods.

\* \* \*

KEY MEASURE of business progress is gross national product--total value of all goods and services produced. Here's how future shapes up for this top indicator: Further decline is expected during second quarter of this year, with sharp rebound after June. Gross production, \$503 billion last year, is expected to rise to annual rate of \$517 billion by November, then shoot up impressively in '62.

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# SELL YOUR IDEAS

Study shows marketing methods will help your communications

COMMUNICATING with employees is selling ideas in a buyer's market.

To be successful, management must have advance knowledge of the market's needs and a sound plan to tie its ideas to what the market wants.

This conclusion is reached in an intensive study conducted by the Opinion Research Corporation of Princeton, N. J. Before going into the research firm's suggestions for boosting effectiveness in employee communications, however, it will be helpful to examine five commonly held assumptions which are challenged by the results of the study:

**1.** Employees are really not interested in the company's affairs. They have to be tricked and humored into listening to what management has to say.

The study found that actually information about the company's progress and prospects competes successfully with chit-chat, jokes, and bowling news. A large majority of employees—regardless of job, tenure, or office location—say that it is

important to be kept up to date on company affairs. Only one out of 100 considers company information of no significance.

Where communications emphasize social news, employees strongly request more serious, job-related information. They want the answers to such questions as: Where is the company going? What are other locations doing? How do government regulations affect us? What is company policy? What is management doing to keep jobs secure? What new job openings are there? How is the company doing financially?

Information needs closely reflect the company's particular situation. In a firm with a highly cyclical business characterized by waves of hiring and layoffs, 73 per cent of the workers want more information on job security. At a company in the competitive electronics field, 82 per cent want to know "how well competitors' products compare with our own."

**2.** Another questionable assumption is that management knows best what

information employees should receive.

The study found that even within company management there is often wide disagreement on which topics deserve priority. In one corporation, executives with top responsibility for communications were asked to rate 18 topics for priority. The executives split into opposite camps on 11 of the topics.

In another company, managers rank "safety" among their top six topics, but 73 per cent of the employees say that they get enough of this kind of information. In contrast, six of the 10 topics given a low ranking by management are among those on which employees request more information.

The topics are: company product research, management thinking on political issues, causes of inflation and its remedies, work of different company locations, effects of foreign competition, and economic education.

**3.** All employees have the same information appetites, this theory

Every company has employees who serve as informal information pipelines.





goes. One bill of fare suits them all. The study found that the one-market approach leads to watered-down communications. Employees actually constitute a segmented market, and company publications which follow the formula of providing something for everybody usually score in the 40 per cent range of proven readership. On the other hand, one major manufacturer shows 67 per cent readership of a monthly magazine specifically prepared for its white-collar and professional workers.

In recent years, some companies have devoted more attention to employee information markets that cut across the organizational structure. They offer special bulletins for supervisors and foremen, publications for salaried employees, and technical magazines for engineers.

#### **Feed the grapevine**

Findings in this research, however, strongly indicate that there are important segments of the employee market which cannot be identified by job or position on the company roster. Not all employees carry equal weight in the communications pattern. Some exert more influence than others by serving as information pipelines for their fellow workers. Other employees come to them to get the inside news. These are the people who feed the grapevine whenever formal communication channels fail to meet the demand for information.

These "influentials" cannot be

readily identified by job title, length of service, function, or any other easy tag. They are spread throughout the entire company, although supervisors and white-collar workers are more apt to be in the group. In one company, the influentials seek information on the company's financial position, competition, and the work of different company locations—all topics rated by management as only secondary communications objectives.

Two employee information markets are of particular importance in strengthening company relations with the public.

They are the workers who have a knack for public affairs and the employees who have a wide circle of outside acquaintances.

Persons who show high initiative in public affairs are especially interested in information on economics, labor-management relations, and the state of the business. The good will ambassadors, perhaps more than any other employee group, need a broad background of facts about the company to draw on when talking with their many friends. They seek information which gives them a better perspective of the corporation itself—its operations, its management, and its research program.

4. Some companies believe management can exercise stop-go control over information that employees get.

The study found that management is constantly competing with

a host of other information sources for a share of the employee's thoughts. What he sees on television, reads in newspapers or magazines, or hears discussed by friends has an important influence on what a worker thinks about such matters as politics, profits, labor relations, or executive honesty.

#### **Management's advantage**

Management, however, has a great competitive advantage in that it can supply a meaningful interpretation of company affairs. It cannot afford to sidestep discussion of controversial issues on the premise that workers entering the office forget everything they have heard on the outside.

Employees, in fact, say that they prefer to get their information about the company through management channels. Few would rather get their facts from union sources, the grapevine, or the local press. When management fails to supply the desired information, however, they quickly turn to less reliable sources.

5. Then there's the assumption that down-the-line communication gives management a direct pipeline to employees which is not subject to dilution or distortion.

The study found that actually facts and ideas pass through many screens before they emerge from the pipeline. The supervisor's main strength, direct word-of-mouth communication, can also be his main weakness. He tends to select those

**Make it easy for these influentials to get accurate, up-to-date facts**



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You don't have to be an expert to invest wisely. But you do need experienced advice. A Partner or Registered Representative in a nearby Member Firm of the New York Stock Exchange will be glad to help you get facts. Tips or rumors are never enough. Stock and bond prices go down as well as up. Some companies may falter or fail. A Registered Representative in a Member Firm can help you choose carefully—he has had to meet the Exchange's requirements for thorough knowledge of investing.

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## SELL YOUR IDEAS

*continued*

items which will enhance his standing with subordinates, adding his own personal twist. In addition, the grapevine picks up exciting bits of information and supplies significance in a mixture of accurate guess and erroneous interpretation.

Inside information has become the coin of power and status, and sometimes those who hold prestige positions share it with reluctance.

How can a company take advantage of these research results to pattern its employee communications for top effectiveness?

To score a sale with workers, communications of business must meet some of the same conditions that management has found to be successful in marketing its products:

*Find out what the market wants.* Determine the information needs of the major formal and informal employee groups in your company and whether these needs are currently being met. What is the present state of employee knowledge and attitude on management's key communication targets?

Periodic information audits offer the most thorough coverage, but other sources include informal canvasses and group discussions, reports from first-line supervisors, and the experiences of other companies.

*Take stock of management's information objectives.* In companies studied, less than half of the communications staff managers knew of the existence of such stated objectives. Coordination of ideas is impossible unless the communications team keeps the dominant ideas constantly in view. Management must decide what image it wants workers to have of the company, its management, and employee relations. In large corporations, policy-making officers from company headquarters and the major production divisions may set down the problems requiring immediate concentrated effort. In others, a single executive may carry the responsibility for coordinating the communication plan.

However the plan is developed, three factors are critical to its success:

It must mesh with the stated information needs of employees.

It must be flexible enough to allow for revisions to adapt to changing conditions.

It must be thoroughly known to the communications staff.

*Design a package that meets the consumers' needs.* Successful messages to employees stress "what's in it for you." Messages pitched exclusively to management's problems and worries are likely to produce bored yawns.

Ideas should be presented simply, with care given to semantics ("modern machines" will get a better reaction than "automation"). Use of appropriate pictures and the bylines of company experts lend more meaning and validity to information. The one-shot approach should be avoided, and all media integrated in getting the message across.

*Capitalize on employees' shopping habits for particular types of information.* Workers look to different channels for different facts. The study showed a remarkably uniform pattern: For information on future plans of the company or work at different locations, employees relied on the company publication; for facts about company policies or the place of the individual in the corporate picture, they looked to their supervisor; to learn about benefit plans, they relied on meetings and the company publication.

It is good marketing strategy to place the information on the shelves where the employee expects to find it.

*Enlist the help of the idea retailers inside the company.* Make it easy for the influentials, with their unusual capacity to absorb and spread news, to get accurate and up-to-date information. An information center with news flashes, special displays, and a reference library might perform this service.

*Promote the availability of information.* Because employees have different needs, it is difficult to write a message which contains all the facts desired by all groups. Workers can be told, however, where they can get additional information to supply their particular needs. When general releases are used, employees can be advised that their supervisor has more details on the subject, for example.

The underlying philosophy of this marketing concept of communications is that the employee is an intelligent person who makes up his own mind. In doing so, he exercises freedom of choice over his information intake, depending on his personal need. This approach recognizes that workers are moving rapidly toward higher educational achievement, more independence in thinking, and an increasing professional and technical character. **END**

## YOUR PRICES

continued from page 39

in response to pressures by customers. Such price cuts foster dynamic competition in contrast to the responsive competition that develops when you meet another firm's price.

Rather than the proposed curtailment of a company's right to meet the price of a competitor, more freedom to meet, and even undercut, those prices is needed if competition is to be effective.

Aggressive price reductions to selective customers now are forbidden under the law. Only defensive actions may be recognized as legal. In light of the shadowy areas surrounding market information, a company may meet a price cut in good faith and subsequently be shown to have priced below the competitor. Some allowance must be made for this possibility.

The Attorney General's National Committee on the Antitrust Laws recommended that "An incidental undercutting of the prices quoted by others, when in the course of genuinely meeting one particular competitor's equally low price offer . . . should not invalidate a seller's defense."

### Competitor needs legal support

Your competitor can undercut you if he can find legal support for his position, but you cannot retaliate by undercutting his price. Thus, only those firms which can justify their action—usually on the basis of costs—can cut prices. Others must wait passively.

Incidentally, this appears to give an advantage to firms handling one or a few products, since they can more easily prove unit costs than a multiproduct firm.

Competition also involves seeking the patronage of customers previously serviced by other companies. Yet, John W. Gwynne, a former chairman of the FTC, testified that the defense of meeting competition in good faith "... can be used only in defensive situations, that is, to retain a customer and not to gain a new one." This type of interpretation restricts, rather than fosters, competition.

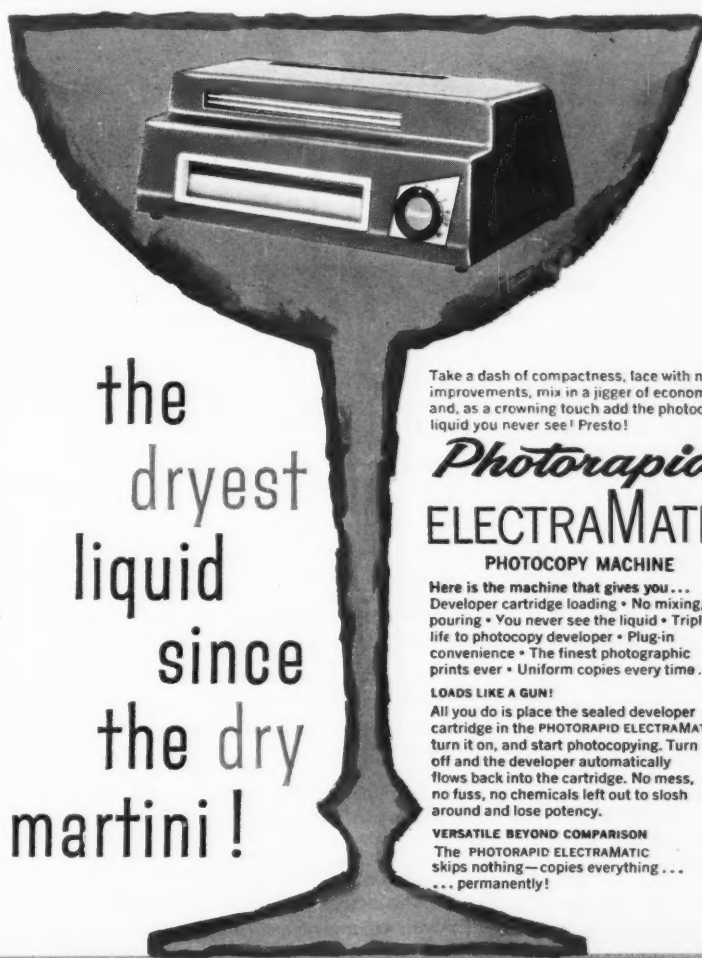
Suppose that a competitor's reduced price successfully lures Customer A away. Shouldn't the losing company be free to retaliate by attracting customer B from that competitor? This would certainly seem equitable. Since there is no way to balance off exactly the gains and

losses, there should be no restriction on offering the lawful reduced price to any customer, past or potential. To limit competition in this manner is to make commercial relationships rigid, whereas fluidity is required in a dynamic and expanding economy.

A firm is restrained under present law from experimenting with price reductions to certain customers or in limited markets as a prelude to general price reductions. It cannot probe the market selectively. Yet, trial and error pricing yields

more adequate information than market surveys. Such pricing often is the first step in the progressive undermining of a previous price level and the establishment of a new one. Prof. Malcolm P. McNair of Harvard University has described the process as follows:

"... changing a price typically begins when one customer feels himself strong enough to force a price concession, either an outright concession or something in the nature of a fringe benefit. . . . The grapevine carries the story, and soon



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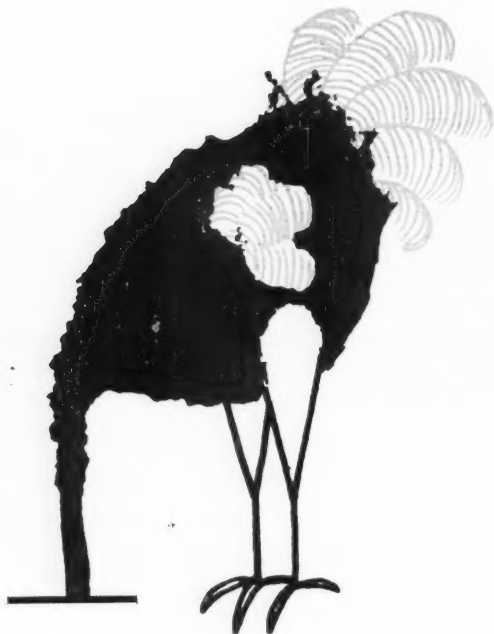
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## Strictly For The Birds

"Old Head-In-The-Sand has an odd way of solving problems. Strictly speaking, his approach is for the birds . . . but not for humans.

"As a business or professional man it behooves you to look many places for the answer to a pressing problem.

"Maybe it's close at hand—in your head, on your desk, or in your firm's experience.

"But more often the answer may lie afield, outside your own area of experience or operations. And that's when your trade or professional association can lend a valuable helping hand.

"A direct benefit of membership in your association is the wealth of specialized information available to you: industry wide statistics, results of research projects, educational programs, and many more.

"Of course, your association's effectiveness as a voluntary organization depends on the active interest of its members. That's you. And when you belong to and support your voluntary organization you're helping to encourage the growth and development of every person who has the capacity to grow. You're helping your industry to move ahead, the best direct action you can take to insure the steady and dynamic growth of the economy as a whole."



Speaking for progress through  
voluntary organizations

## YOUR PRICES

*continued*

other dealers are dickering for concessions. If market conditions are sufficiently weak, they gain these concessions; and then finally, when the manufacturer actually does announce a new price, he is merely recognizing a condition which, in fact, already exists."

Similarly, Prof. Richard B. Heflebower of Northwestern University, in opposing changes in the good-faith proviso, points out: "... what sellers do is cut a price here or a price there, and meet a price which somebody else has cut. That is the way by which what was apparently a fairly rigid price structure begins to fall in terms of what customers on the average pay . . ."

But if a company initiates such price reductions, it must be prepared to justify them on a cost basis, and offer them to all customers in the same category. The result may be no change in prices.

### **Maintaining competition**

The Attorney General's National Committee concluded: "... a seller constrained by law to reduce prices to some only at the cost of reducing prices to all may well end by reducing them to none."

It is difficult to understand how steering the economy into some predetermined mold is consistent with maintaining competition. Competition must be permitted to develop wherever it can, so long as it is not predatory.

Under dynamic competition a firm must be free to initiate price reductions as well as to follow them. If every company must wait for another company to lead, the net result tends to be inflexible, unchanging prices.

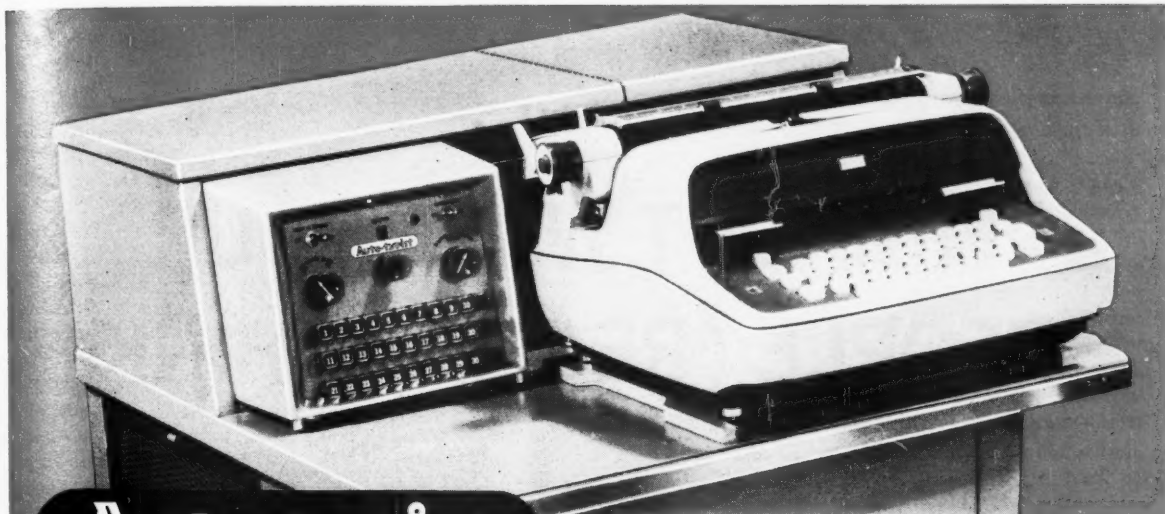
As a result, the consumer pays a higher price for the product. For many products, higher prices mean lower sales.

This smaller volume harms many retailers and wholesalers to whom turnover is the key to profits. Smaller volume also influences manufacturers' costs, profits, and the job opportunities they can make available.

Price competition must hurt some competitors. But hurting competitors is not the same as hurting competition. The emphasis must be upon preserving competition, not competitors.—JULES BACKMAN

*Research Professor  
of Economics  
New York University*





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# FIND OUT WHAT YOUR PEOPLE (REALLY) THINK

Telling boss what he wants to hear can damage company

FEW EXECUTIVES get consistently honest reports and sincere opinions from the subordinates they rely on. Like generals with an unreliable intelligence service, they stumble into unnecessary dangers and miss good opportunities.

Some deception by assistants is natural and unavoidable. Psychologists say that any person who is not abnormally aggressive tries to put things in a way his listeners will approve, even if he's talking to individuals who are not of direct importance to him. So it is understandable that a subordinate should sometimes subconsciously report what he thinks his superior wants to hear. Only a doormat-type boss could avoid this reaction entirely.

However, in many cases, the occurrence is not just occasional. Nor is this unconscious. New executives taking over a job and reading through files of reports made to their predecessors are often startled to find obvious distortions of truth. But the former incumbent who received the misleading reports didn't recognize them as such because they matched his own set ideas.

A leading American company has been left behind in the race for European markets because the man who was its president until recently thought nothing good could come out of a foreign country. He had never been to Europe, but was sure he knew all its many faults and few virtues. When excitement about European economic progress grew, he twice sent assistants on survey trips. They brought back cynical reports about unbreakable monopolies, snarled distribution systems, and anti-American prejudices abroad—all the old ideas their chief had grown up with 40 years earlier. These accounts had the ring of truth to him, and nothing more was done about expanding into Europe.

Now a new president has taken over. He is trying desperately to make up for lost time and overtake the thriving plants of his competitors in Europe. It is a discouraging paradox that this progressive new chief

may be in line for just as much distorted advice as his predecessor got, because his determination to move rapidly into foreign ventures makes it unlikely that any assistant would feel free to warn him if reasons for delay should crop up.

## **The king's men**

Similar circumstances are common. In many companies they cease to astonish because everyone gets used to living with them.

"Every boss has certain men he seeks out when special problems come up," says a top man in a U. S. auto-making company. "And there are usually one or two with whom he'll even discuss personal problems involving other colleagues. If the subject isn't part of their regular duties, he brings it up at lunch or when they meet in a corridor."

The process of forming this inner circle is a little bit like what Darwin called natural selection. The personality of the head man determines what kind of people he will have around him. It is not so much that he molds these men as that he unconsciously selects and holds those who fit his way of thinking.

These relationships may be salutary or may take an unfavorable turn. It is natural that the interplay of personalities—even apart from regularly assigned functions—should result in reliance on some men for information and counsel. But if the highest-ranking executive in such a group is either so unbending that he won't tolerate opposition or so unsure of himself that he listens always for agreement, he will gradually be cushioned and isolated by a court of admirers who let only the minimum of truth get through.

On dozens of questions small and large, the shape of this group is forged and hammered:

"Is it time to cut an old product out of the line?"

"Should prices be changed?"

"Should we appoint different distributors?"

"Should the company have an exhibit at this year's trade convention?"

"Is the sales department to blame for disappointing sales, or is it a quality problem?"

"Why is personnel turnover so high?"

"Is our accounting department inefficient?"

Every answer is as the boss wants to hear it. Even those who try to hint at the truth phrase it so ambiguously that he can interpret it as he likes.

This suggests an important caution for all executives: There are times when assistants tell the truth, but when it can't be said that the boss gets the truth from them. Any communication depends on the fidelity of the receiver as well as the sender, and people often hear only what they want to hear. It is too much to expect that a subordinate with distasteful or unwanted news to report will din it insistently into your ears. You may have to get it from the intonation of his words or by reading between the lines of his memos.

### Three roles

An executive may suffer from dishonesty to the boss in one or more of the following ways.

► As a boss who is not told the truth by his assistants.

► As the subordinate of a man will not put up with the truth.

► As an intermediary between a boss who scares away new ideas and a staff of lower rank that constantly blames the middleman for blocking the truth.

If assistants chronically conceal their true thoughts from you, a large part of the fault is yours. If they have the impression that you want to hear only what you already think, you can hardly blame them for being cautious. If you are at this end of the problem, here are some corrective steps that will help to improve the quality of support you get from your aides:

1. When an assistant is asked to recommend action, insist that he present complete reasoning to back up his conclusion. This will make it harder for him simply to suggest the course he thinks you want. Even if he tries to line up reasoning to fit your way of thinking, there will be between-the-lines betrayal of what he really believes.

2. Ask subordinates to give more facts in their re-

Executives who always listen for agreement from their subordinates will build a wall of yes men around them that keeps out true reports



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## FIND OUT

*continued*

ports. (Not: "After surveying this market, I think it's a good one for us." But: "The market area has a population of eight million people, most of them employed in stable industries, with an average income of more than \$6,000 per family . . .")

3. Make a conscious effort to cloak your own opinions more during the early stages of considering a problem or project. As an executive, you are not supposed to keep your views under wraps; you are responsible for helping to mold opinions. But the timing of your judgments is important. Make it appear that you have an open mind as long as possible, even if you feel that your thinking has progressed beyond that stage.

The freer opinions that you get may greatly enrich your planning. Studies in the military service show that meetings where senior officers consciously suppressed their opinions until others had spoken resulted in 20 to 30 per cent more suggestions and the ideas were of higher quality.

And keep one big don't in mind: Don't try to cure this problem by saying openly that you want people to voice their opinions freely. Like the salesman who prefaces his remarks with, "I'll be honest with you," an executive who uses this crude approach arouses nothing but suspicion and uneasiness.

### From the other side

Suppose you have a superior who puts you in the position of hiding your real views. Your only hope of improving the relationship is by understanding what's behind this kind of set personality. Often, no matter how tough-minded the person may seem, it is a weakness that causes this fault—the dread of change that he feels unable to cope with. The old president who wanted excuses to stay out of Europe, for example, probably felt inadequately trained to direct such an effort. He preferred the safety of familiar ground.

Such a person will never relent in the face of what seems an assault on his position. A report that contradicts old beliefs makes a man feel that he is being pushed to do something against his will. The more logical its reasoning, the greater his inner panic and reaction against it.

But psychologists say that he may be brought around to recognizing the need for change if he





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feels that he is in full control of the situation.

For example, a report that firmly recommends construction of a new building may cause a negative reaction. But a superior can be given figures that seem to make the change attractive, plus a summary statement like this: "These facts, of course, are only part of the picture. They seem encouraging, but I realize that a great deal depends on cash projections and forward planning with which I am not entirely familiar."

Once in a while, a situation like this is really hopeless. If you're working under a man who has a selfish reason for wanting to see things all one way, then no amount of subtlety will talk him out of it. But in that case, it ceases to be a matter of interpersonal psychology and becomes the separate problem of office politics.

Most cases, however, are not hopeless. Few situations in life are pure black or white. Few men are uniformly unapproachable or inflexible at all times and in all circumstances. Finding out what a man's goals are and how his moods vary may offer new openings for approaching him from a different angle.

As an example, one executive who found excuses to keep his division in cramped, shabby quarters that were totally inadequate had a staff that had stopped daring to suggest any move. But a young new controller correctly sized up his boss as a man emotionally afraid of expenditures because a problem of cash position had almost ruined him earlier in his career. This was a case of fearing a rash financial decision. Accordingly, the controller prepared a careful analysis of the extra costs and losses which the old location was causing: high insurance premiums, having to pay higher wages to attract employees, inefficient production facilities, unnecessarily expensive handling and warehousing of goods in other buildings.

He presented a case suggesting that it might be dangerous to stay in this plant—that it would be safer to have more efficient facilities ready in case harder times made business more competitive. When presented as a safety measure, the idea of moving won quick approval.

#### Man in the middle

The third type of victim is the man who stands between a group of ambitious, aggressive people below him and a boss above who apparent-



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## FIND OUT

*continued*

ly doesn't welcome new thinking. He tries to look good in the eyes of his superior by blocking the ideas that rush up from lower levels. But he wants to get along with his subordinates, too, and he begins to feel like a shuttlecock.

This man's position is not much different from that of the executive who hides his own thoughts from the boss, except that it is even more demeaning. Many men in this spot ease the burden by joining their subordinates in secretly griping about the boss's closed mind. This does nothing but lower morale. People never respect a man who tries to keep a foot in two worlds.

There is no perfect solution because this is an intensely human situation and therefore too intricate for pat answers. But the nearest approach to a solution is:

First, accept full personal responsibility for what staff ideas do or do not get through to the boss.

Second, present new facts to the head man in a way that leaves him free to make an unpressured choice.

A classic example of this common predicament was noted by a management consultant who was called in recently to study a luggage manufacturing firm. He was the kind of man who could obviously be trusted to respect confidences, so executives at three levels told him these different stories:

*The general manager:* "We're in good shape, even though sales of our new lightweight airplane luggage are below the budget estimates. It takes just a little more time than we had thought to introduce and promote a new line."

*The assistant general manager:* "The people in sales keep telling me the dealers just don't like our new lightweight line. I've tried to leak the idea quietly to my boss, but he doesn't even want to hear it. This design is his baby. He came up through the production end of the business, and he's sure he knows all there is to know about luggage designing. Sales wants me to walk right in and tell him what's what in a loud voice, but that would just make him twice as determined. If we wait a little longer, he'll catch on to the truth himself."

*The sales manager:* "This new airplane luggage is absolutely a dud. If we don't change it fast, we'll start losing dealers and the damage will never be repaired. I'm not the one to convince our top man be-

cause he'd just say I'm trying to get myself off the hook for not selling. His assistant could tell him and get away with it. But we can't get him to open his mouth. He doesn't have to face the dealers the way we do. He seems to think he's some kind of censor protecting the big brass from unpleasant facts."

In this case, the management consultant was able to tell the general manager directly that the new line appeared to be in deep trouble. Since the words of outsiders so often get more attention than those of familiar colleagues, this brought quick action.

But as the consultant told the assistant general manager, "This is an artificial way to solve your problem. The same sort of thing will come up again. If you want the privilege of being the Number Two man, you've got to carry the responsibility that goes with it. When you see a situation that threatens a serious loss, you've got to make sure the boss knows it. Use a subterfuge if you have to. Arrange for some of the top dealers to get him aside at a party or convention—anything so long as you get your job done."

The tragic aspect of all these related problems is that few of the executives who force their subordinates to become chronic concealers really want to be as they are. They don't consciously surround themselves with people who are destined to be mental cripples.

In the search for self-confidence, most executives look for constant new proof that their own ideas are right. When one of them is challenged, they find it easier to turn against the challenger than against the familiar notion. So, bit by bit, they stunt themselves and others without knowing why.

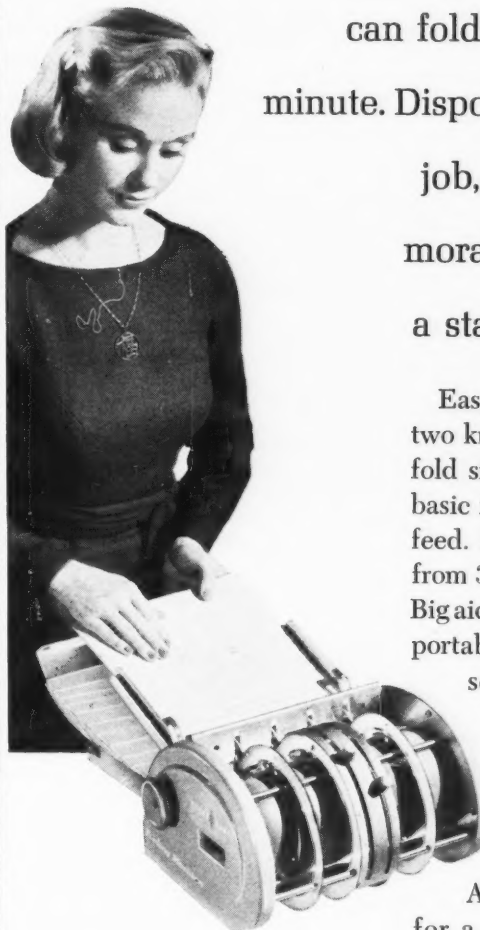
Since both the boss and the subordinate are usually at fault, the resolve to establish a new standard of honesty should come ideally from both parties. But that will never come about if each person waits for the other to change. The man who first sees that this problem exists is the one who must act first to attack it. The disease is born of failure to recognize the truth and lack of courage to face it. It can be cured only by understanding and moral courage.—CHARLES A. CERAMI

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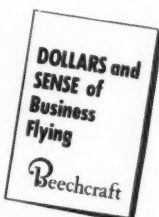
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# What federal jobless aid plans would cost

THE NEW DRIVE for more federal intervention in unemployment compensation has important implications for businessmen. The Kennedy Administration's proposals would:

### ► Raise business taxes.

Congress has been asked to increase from \$3,000 to \$4,800 the wage base on which employers pay up to 3.1 per cent Federal Unemployment Tax. For each employee earning the higher figure, your tax could jump from \$93 to \$148.80, or 60 per cent.

The tax rate itself was increased on Jan. 1 from three to 3.1 per cent to provide a 33 per cent increase in the share the federal government takes to administer the federal-state program and for loans to needy states. What's left goes into state reserve funds, out of which unemployment benefits are paid. These funds contained a total of \$6.6 billion on Dec. 31.

Employers paid \$2.4 billion in unemployment taxes last year.

### ► Kill the incentive to stabilize.

All states reduce the tax for individual businesses which provide relatively steady employment. As a result, some pay no tax. The average tax also varies among the states, ranging from 0.5 per cent in Colorado and Iowa to the maximum 3.1 per cent in Pennsylvania. The national average is 1.9 per cent.

The Administration prefers that any tax reduction apply uniformly to all employers in a state, thus killing the incentive of individual employers to keep jobs steady.

### ► Ignore progress made by states.

The amount and duration of weekly unemployment benefits are now fixed by the states. The federal goal is to impose minimum standards in these respects which states would have to meet. (Temporarily, President Kennedy is proposing grants to the states to pay for extended benefit payments during the next 12 months.)

The inference in the move toward minimum federal standards is that the states are not providing adequate benefits, and need federal

prodding to raise them. This is not borne out by the facts.

In purchasing power, the current average benefit of \$34 a week will buy 49 per cent more than the \$10.66 average benefit of 1939, the first year benefits were paid. The federal objective is a minimum benefit equal to half the individual's weekly pay, subject to a maximum of two thirds of the state's average weekly wage.

Duration of benefit payments has increased steadily. The Administration thinks benefits should be paid for 26 weeks in normal times. The fact is 42 states with more than 88 per cent of covered employment pay benefits for 26 weeks or longer. Average duration available has increased from 16 to 22 weeks.

Six states, during the 1958 recession, enacted provisions for extended payments beyond 26 weeks when unemployment in the state reached a specific level, usually six per cent over an extended period. They are California, Connecticut, Idaho, Illinois, North Carolina and Vermont. Other states are considering similar automatic extensions.

When Congress made loans available in 1958 to help provide for a 50 per cent increase in the number of weeks benefits would be paid, 32 states declined the offer. Five of them extended the payments with their own funds. Only 16 states and the District of Columbia took the federal money.

### ► Move toward a federal system.

The steps being planned toward a complete federal system of unemployment compensation are clear.

In 1958 Congress made loans to states which wanted them.

Last month the President asked Congress to make grants available, with the U. S. Treasury recovering the cost through a tax increase on all employers in all states.

The Administration also will ask Congress to set minimum federal standards as to amount and duration of state benefit payments.

The AFL-CIO is supporting the Administration's program as a step toward its ultimate goal which it calls "a single federal system." **END**



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## MORE DEFENSE *continued from page 35*

### Advisers call for a flexible military organization to meet current missions

a multi-year basis. The House Appropriations Subcommittee already has demanded that military officials accompany appropriations requests with estimates of past and future costs of specific projects.

A shakeup of the Joint Chiefs of Staff would require formal legislation. Under the Symington recommendation, the President would name a group of senior military officers from all services to a Military Advisory Council. Its chairman alone would advise the President and Secretary of Defense. The members would be separated from

however, who noted that the days of separate ground, sea and air warfare are gone forever. The assignment of military roles and missions on the basis of means of transportation was established soon after World War II, and has not been changed since.

To eliminate rivalry in weapons, and assure rapid development of needed arms, an Undersecretary of Defense for Weapon Systems would be appointed. He would oversee the entire process of weapons development, procurement, and production for all military branches. Currently, this is done primarily by the individual military services, with some general review and direction from the top.

So much coordination is required under the current setup that many actions are delayed for months.

In an effort to speed research and development decisions, the last reorganization created the new position of Director of Defense Research and Engineering; this official serves as chief technical adviser to the Secretary of Defense and is charged with supervising research efforts of all the military branches with an eye toward avoiding duplication and waste. But each military service continues to have its own research and development organization; the individual services have tended to increase administrative personnel to answer questions raised by the defense research and engineering director.

A story now making the rounds of the Pentagon points up the problem. Former Atomic Energy Commissioner John McCone is said to have asked Admiral Hyman Rickover, the Navy's nuclear ship boss, for a general statement of the service's future plans for using atomic power in vessels. The AEC wanted to get this information as a guide for its research planning.

Admiral Rickover reportedly drew up a simple declaration, saying the Navy would use nuclear propulsion for ships whenever practicable. The paper was delivered to the staff of the Secretary of Defense, where officials studied it. Finally, weary of the delay, Admiral Rickover read the AEC chairman his original statement over the telephone. **END**

"The long-held views that educational policy should be made by local units of government will have to go." This is the ultimate goal sought by many backers of federal aid to education. For facts refuting their arguments, see page 42

their individual services and would never return to them.

This would be designed to eliminate their present tendency to act as spokesmen for their own branches of service.

To cope with today's problems, President Kennedy's advisers call for "a flexible organization conforming to the present-day nature of military missions, instead of traditional service concepts." Such a change in organization, the report says, "would tend to minimize the duplication and delay growing out of the present multiple layers of control and the overlapping among military programs and operations caused by steadily increasing inter-service rivalry in efforts to fulfill common missions."

In that respect, the committee agrees with former President Eisen-

The nearsighted MISTER MAGOO says . . . "1956? A banner year! Princess Grace was married—unfortunately I couldn't attend—and General Electric invented the Power Groove Lamp. Happy birthday, Power Groo—Bowser! drop that salami! You've taken enough bites out of it already!"



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# WAYS TO HANDLE OFFICE CLASHES

Better understanding will help keep conflicts from damaging your company

EFFECTIVE MANAGERS recognize that personal conflict is unavoidable in even the best run business. So they learn how to deal with conflicts.

Some conflicts can be spotted before they erupt—and headed off with judicious application of a few principles of good human relations. In other cases, the storm breaks without warning and the executive's responsibility is to keep its destructive effects to a minimum.

It's not surprising that conflicts exist in business. Our economic system is competitive. This means competition between firms, between small groups, between ambitious individuals who have a desire for promotion, preferred position, or recognition.

In a special and circumscribed way, knowing how to fight in the right way is part of the personal skill the successful manager must—without talking about it—develop if he's going to rise in the organization and keep his company competitive.

There are three basic things you should know about conflicts:

- ▶ Why people fight.
- ▶ How to be a good referee.
- ▶ The rules for business conflict.

Each of these merits close examination.

## Why people fight

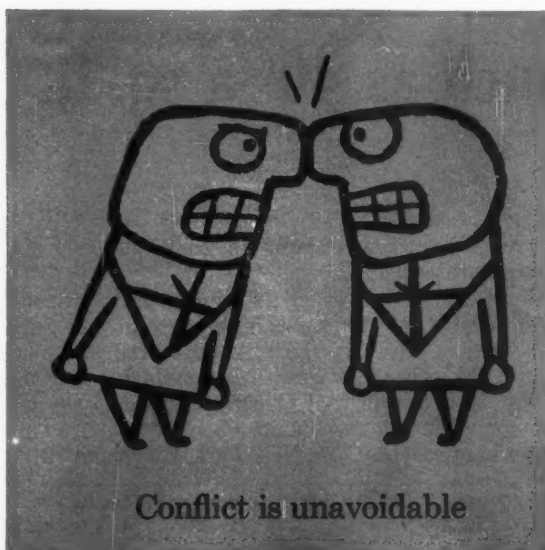
Hope of winning rewards or fear of losing something are the most common reasons for personal competition in business.

Take the case of the manager of quality control who found that every time a customer rejected a shipment he caught the blame, even though the manufacturing boss had approved shipment of the defective work.

One day, after a shipment had been returned and the production head had blithely shifted the responsibility, the quality control man was furious. He knew that if the situation continued he would not only suffer personally but the company would lose as well. So he mapped out his plan and dropped his bombs at the right moment. Waiting until he was in the presence of the general manager, he made some pointed accusations, backed by facts. The general manager, who abhorred fighting, got the point and spelled out procedures to prevent a recurrence. Until the fight took place he had let the situation drift.

Another common cause of conflict is the desire to establish one's position. A personnel manager found that many decisions affecting labor relations were being made without his knowledge. Many were contradictory and self-cancelling. He could see that, unless he moved vigorously, the situation would soon be chaotic. The next time the staff was assembled he stood up and reprimanded the whole crowd. Some heated arguments followed. Later, one of his subordinates present summed up: "I guess we were all going off half-cocked until Harry straightened us out—but hard."

Sometimes people fight just to let off steam. This can be either good or bad. Consider a case which





backfired in a midwestern company. A number of feuds suddenly developed that took up so much time of important people that they couldn't keep on top of production.

The manager called a dinner meeting to thrash the whole thing out. Several hours of discussion revealed that there really wasn't much basis for the bickering except that they were wearing on one another's nerves and "letting off the pressure on each other," as one of them put it. They agreed to save their complaints for a monthly dinner meeting where they'd air most of them at once, clear the air and get on with the job. In some companies staff meetings are regularly scheduled solely for this purpose.

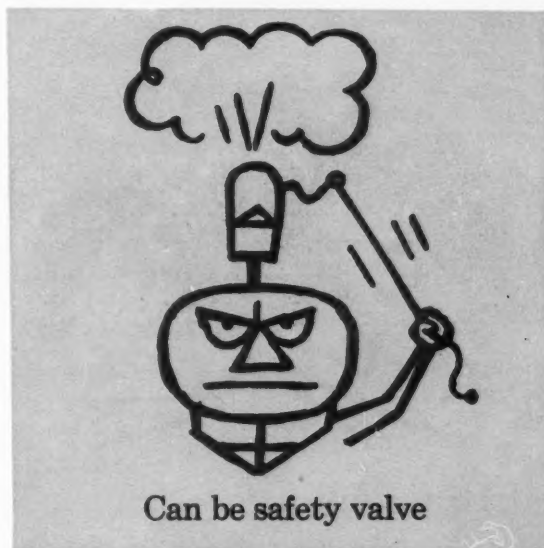
Still another reason why people squabble is to escape something they can't bear patiently. This may be nothing more than boredom, but more often it's some kind of unpleasantness. In some instances it's continuing evidence of their own inadequacy. The latter causes the most mischief since it's rarely constructive.

#### **How to referee business conflicts**

Since experience teaches people how to get things done without a battle, most managers will see fighting from the viewpoint of the third party. This role is somewhat similar to that of a referee. How should a referee act? When and how should he move to settle squabbles? Here are some guides:

Try to foresee a battle. Big conflicts usually follow a series of warning signals. Knowing your people, talking and working with them constantly, and eliminating causes of conflict will prevent most of the blows from falling.

In a large New Jersey factory, the foremen of two departments were constantly quarreling over a lack of mutual cooperation and conflicting actions which made life hard for both. The foreman of assembly complained that the packing foreman wasn't keeping the packing station clear and it was backing up and



stopping the assembly line. The packing foreman complained that the assembly people changed labels and models without notifying him in advance, requiring delays in getting proper packing equipment and materials set up.

Charges and countercharges grew louder at staff meetings. Finally, the manager moved in. He switched the men's positions—the assembly foreman was assigned to packing and the packing foreman to assembly. Neither had experience in the other's activity, and soon each was yelling for help. Each man went back to his own department chastened and more appreciative of the other fellow's problems.

Don't take sides before getting the facts. People under emotional stress will always present every angle favorable to them. Realizing this, you, as a referee, must be scrupulous in getting all the facts without bias. You may ultimately have to serve as judge and make a decision, but this should come only after you dig into the root causes of the conflict, deciding what is best for the company. When you've done that, state your judgment in unequivocal terms.

Take the case of the superintendent who was approached by supervisor Bill with a tale about the refusal of supervisor George to release a skilled machinist from his department for a special assignment with Bill.

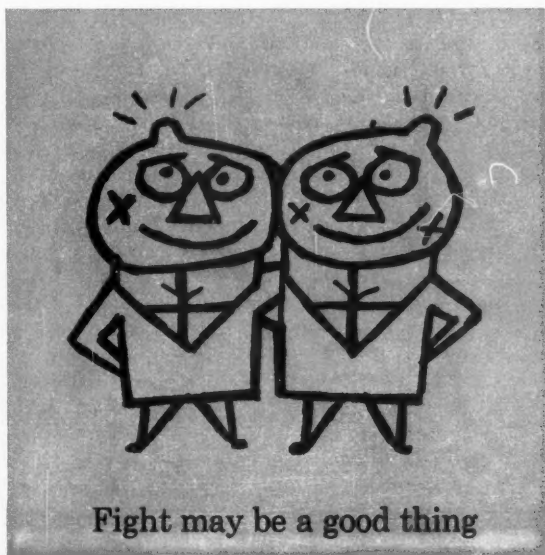
"All he would say is that he can't do it," Bill reported.

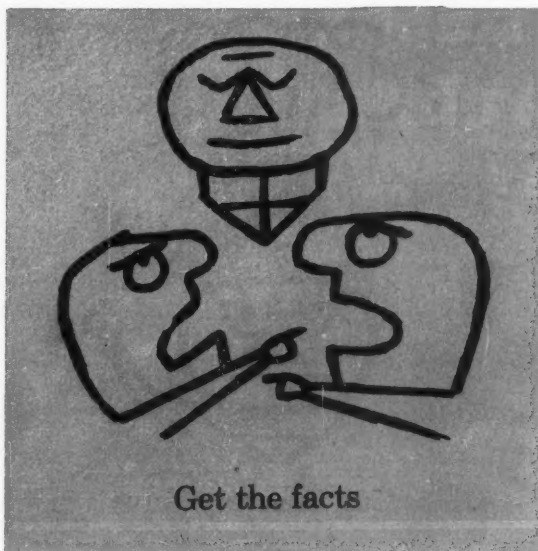
The superintendent immediately called George, dressed him down over the phone and told him to get the desired machinist on his way to the other department pronto.

"I can't do it," the supervisor replied, "as I told Bill, that man has been out with the flu and won't be in for another week."

The abashed superintendent made a hasty retreat.

Sell your decision and stick to it. Having gotten the facts, announce your decision and explain it to both sides. The rightness of the decision and its value to the company should be made clear. Once these





steps have been taken, the decision should be firmly held to. The referee who lets players talk him out of a decision is in for plenty of trouble.

**Rules for business conflict**

Just as it is inevitable that hostilities will crop up in the relationships of people under you, it is equally certain that you will find yourself embroiled in conflicts from time to time. How should you act when this happens?

Interviews with old campaigners in business, and observation of some soundly—and some poorly—executed business battles point up a number of useful rules:

**Rule 1.** *Always be reluctant to fight.* Since it's part of the folklore of business, especially of the human relations school of management, that conflict of wills is engaged in only by ruffians, an executive should always appear extremely unwilling to fight. If he is forced to defend himself, he should preface it by a remark such as "I didn't want to get into this, but since it was forced on me. . . ."

It's wise strategy to master the outward facade which one presents to avoid any display of emotion. Petulance and sullenness are especially bad.

The manager who sulks over getting beaten out of a promotion or an order, or being transferred to the Managua sales office, is sure to arouse clucking disappointment among other managers. People like mature individuals around them, and maturity is most tangibly demonstrated by self-control and a lack of destructiveness.

In business a man must take his licks without complaining, and act as though the outcome were exactly what he wished. He may later tell his wife that he got a rotten deal but around the shop it's unacceptable to sulk.

Losing one's temper is taboo. This means more than abstaining from the mean remark. Anger is easily detected, since it entails a whole series of

physiological changes in a man. His breathing increases, blood circulation rises, the face gets flushed, veins distend.

All these signs are apparent to the casual observer and indicate that a man is not in control of himself. In even the most contained individual, such anger may make itself known through reddening of the ears, or fidgeting. This, of course, arms the other person. He can keep a cool head, which never loses when confronted with a hot one. The sophisticated businessman keeps cool.

**Rule 2.** *Keep your values in line.* Well intentioned people sometimes slip from their code of ethics under the pressures of combat. The boss who is generally fair in his judgment may be tempted to discriminate or use psychological brass knuckles under stress. This always produces bad results in the long run. In building a business, or a career, the principal values to remember are:

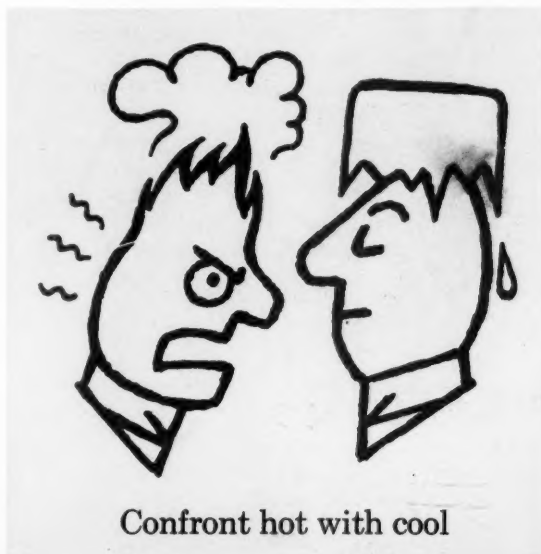
Protect yourself. Don't let the heat of battle cause you to do things which will damage your reputation or make permanent enemies. They may come back to haunt you after you've won the fight at hand.

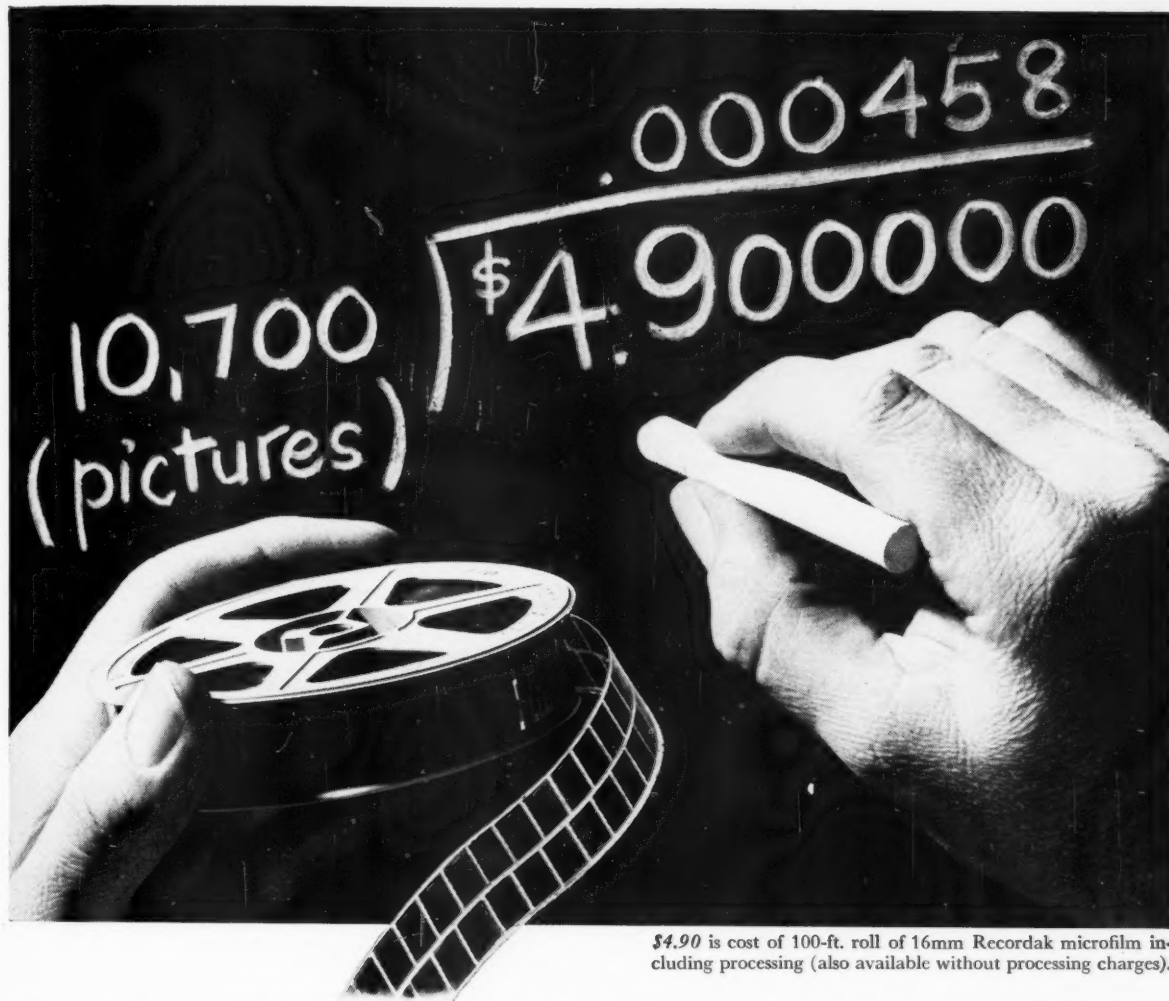
Protect the company. The only acceptable conflict is one for the good of the firm. Every squabble must be made to take that turn. If it results in damaging the company it will react against the people involved, whether they started it or just fought back.

Protect others. Innocent bystanders may be hit when you throw your javelins. These fallen sparrows of business warfare may be watched over by members of a sort of business bird-lovers association who are quick to rally to their support.

**Rule 3.** *Hard work is the most effective weapon.* Better than any other strategy is the open secret of working the other fellow into the ground.

Take the case of two men who were bucking for a vacant vice presidency. The first spent more than he could afford in joining a club where the executives





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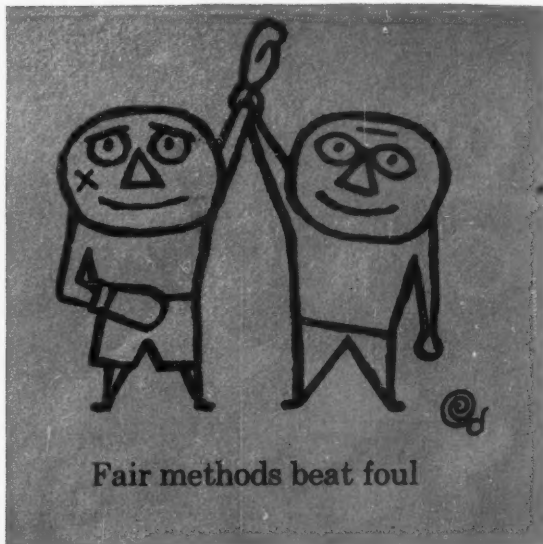
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gathered. He met them casually at the bar, and by faint praise and other subtle means sought to undermine his adversary. The other studied, worked, sweated, and produced more. He was a hands-down winner.

**Rule 4. Build strong alliances.** Despite the competition which exists between executives, some forms of cooperation are required. Attending certain trade association meetings or perhaps joining in a common activity, such as a toastmaster's club, is sound strategy.

Without being pressed to do so, a young sales manager who was ambitious and competitive developed harmonious relations with the plant people. He built a reputation as "one sales guy you can work with." He ultimately moved into the top sales position, and into the assistant general managership. The reason? He could get things done when others couldn't. Furthermore, when he had a real gripe and had to battle the plant, he knew the ropes and could get action more effectively.

Some men feel it's a mistake to look too good in competition. The younger man who looks and acts too much like the top executives may attract the strongest efforts of his associates to sabotage his climb to the top.

In one large firm such a superior-appearing man was moving rapidly through the industrial relations department. He attracted the type of attention which invited his colleagues to feel that "nobody can be that good, let's look for some flaws." When they were found and exposed, he was thrown a few impossible jobs which he flubbed. Then he was routed into a job on the company's charitable foundation from which there was no return.

**Rule 5. Work to win, not to kill.** Being congenial and helpful toward losers is sound strategy to follow up a victory. The trick is to convince the losers that they lost to a better man, and to convert them into

allies. The winner should avoid destroying capable men simply because they fought and lost.

In one company a division manager had been crossed by the corporate training director on several occasions.

Hardly 24 hours after he was elected executive vice president, he stalked into Industrial Relations and ordered the training director fired.

Word of this childish action spread throughout the firm. Several others in staff positions immediately began to look for jobs. When the company attempted to replace the fired man, no reputable professional would accept the job with the firm "which pulled such a dirty trick on Bill X."

Competition in business must end with an amicable settlement, even when one man wins and another clearly loses. Fights and competition are usually disruptive while they are going on, and may result in uneasiness and dissatisfaction among those who have lost or have been close to the encounter. It becomes imperative for the winner to sort out such problems and solve them promptly.

A case in point involved a controller who had acquired a name for being ferocious on costs and rather cold-hearted about people. Eventually he was picked for general manager. He altered his tactics immediately. He asked others' opinions, became tolerant of folly, indulgent of errors that previously would have put him in a rage.

After a few months of this, the others became convinced that "Harry is a new man since he got promoted."

Actually, he still burned to tell people to quit wasting money, but he realized that his first job was to build the team around him before he began calling hard plays for them to execute.

**Rule 6. Attack groups with caution.** Think carefully before you engage in a clash of wills with many people. When everybody but yourself seems wrong-headed and stubborn, perhaps the logical first step is to ask yourself, "Is it them, or is it me?"

One of the real tests of business squabbling at the higher and middle levels of management is its ultimate effect upon the team. Attacks made simply for effect or to stir up excitement usually don't solve much and disrupt the possible gains from teamwork.

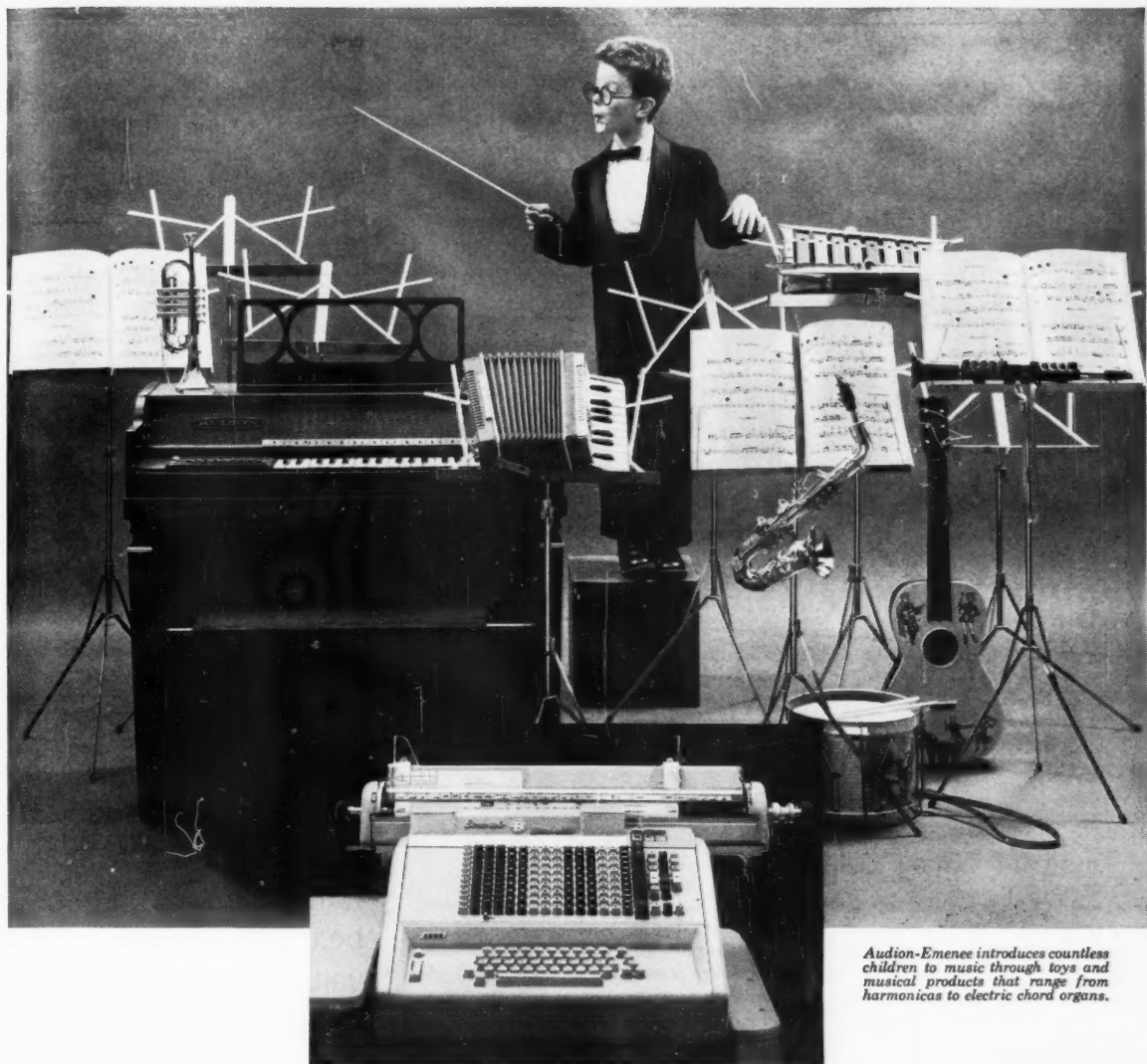
Studies show that people are more productive as a group when they like one another. Simple exercise of restraint and good manners among members of a management team can avert the disruptive effects of divided purpose and prevent factions from springing up.

The kinds of battles in which people line up votes for or against their proposals in management committees may have a serious effect in lost unity. This loss of team effort and willingness to see the other fellow's problems can be much more serious than giving in, even on a point which one holds strongly.

—GEORGE S. ODIORNE

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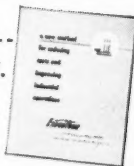
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## BETTER TRAINING

continued from page 41

schedule a man's learning experiences so they dovetail with his actual operation responsibilities at each stage of his career, he will have a chance to use what he has learned before he forgets it—or dismisses it from memory as irrelevant.

4. Adult learning centers on problems, and the problems must be realistic.

You can teach adults a general rule or principle, and then show them, by a series of hypothetical illustrations, how it applies to specific situations. But studies show that they will learn much faster if you reverse the process. Let them begin with specific problems, drawn from business experience, and work out practical solutions from which principles may be deduced.

This technique has been effectively applied to formal manager

Would you admit that you had based an important business decision on a hunch? If not, you may be underestimating the value of intuition. To better understand its use see page 56

training in the case study method developed at Harvard Business School. It can be used equally well in informal coaching relationships.

The importance of realism in adult education cannot be overstressed. Adults simply will not put their minds to work on a problem which is clearly contrived for school purposes. Their common sense keeps telling them, "Yes, but it wouldn't happen that way in real life."

How adult interest soars when training is built around real rather than hypothetical problems was clearly demonstrated recently in an experiment conducted by the New York State Department of Education. Students in adult education

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## BETTER TRAINING

*continued*

classes had displayed a marked apathy toward a citizenship course in which they studied the operations of the state legislature.

Someone had the idea of obtaining from the legislature copies of bills which were under current consideration in committees or on the floor. These pending bills were then used as a basis for discussions in the adult citizenship classes. Debating merits of legislation which might actually be passed in their own state, the students got so wrought up that some classes formed lobbying committees to go to Albany.

5. Experience affects adult learning.

The most conspicuous difference between adults and children as learners is that adults have had a lot more experience with life. This can be an asset; but it can also be a liability.

While the analogy must not be pushed too far, a child's mind may be compared to a slate on which some space is still left for new

things to be written. Thus a child can learn by simply adding new knowledge to what he has learned before.

But an adult's mental slate is already pretty crowded. His learning must therefore be relational. The new knowledge must be related to, and integrated with, the accumulated results of a lifetime of learning experiences.

If the new knowledge doesn't fit in with what he already knows, or thinks he knows, he is powerfully disposed to reject it. In fact, his past experience may actually prevent him from perceiving accurately, let alone absorbing the meaning, of newly presented data.

In his book "How Adults Learn" (Association Press), Dr. J. R. Kidd tells of an ingenious experiment which demonstrated the effect of experience upon adult perception. The experimenter put a blob of red on a card and flashed it before the adult students for a fraction of a second and asked them what they saw. All of them said they saw red.

Next he took an identical card on which the red spot of similar size was in the shape of the ace of spades. This time, not a single student reported that he saw red when the card was flashed. Some saw gray, some brown, some purple. Past experience in seeing a spade as black rendered them unable to see a red spade when it was held before their eyes.

The moral is this: "When trying to reach adults, you must give them every opportunity to interrupt, to ask questions or to argue. Through a free give-and-take you can find out what their experience has been, and what set views they have acquired from it. Then, if you are skillful, you can present the new idea in such a way that their experience will tend to reinforce, rather than contradict, it.

6. Adults learn best in an informal environment.

"Let them smoke," says Tom McLernon, former director of adult education of New York state, and now an adult education consultant to the National Education Association.

It may sound like trivial advice, but it symbolizes a most important consideration in adult learning. Many adults have unpleasant memories of their school days. They will respond to adult educational programs in inverse relationship to the degree they are reminded of their childhood experiences. Smoking in class, which is the last thing

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they would have been allowed to do in the seventh grade, gives them needed reassurance that there is nothing childish about their present engagement with the learning process.

7. A variety of methods should be used in teaching adults.

This is one instance in which adult educators should borrow the techniques that have proved effective with children.

Educational research demonstrates that learning proceeds most quickly, among adults or children, when information reaches the learner through more than one sensory channel.

That's why a movie, a film-strip, a flip-chart or other visual aids can do so much to heighten the net impact of a lecture or other verbal exposition. The executive who reaches for a scratch pad and begins drawing a diagram when he tries to explain a complicated matter to a subordinate is displaying an intuitive grasp of this point.

There is another, more basic reason for using a variety of methods in teaching adults. The method should be adapted to what you are trying to accomplish. If your main purpose is simply to impart information, the most efficient method is some version of the lecture. (A movie is, in the eyes of the educational psychologist, simply a lecture with pictures; a symposium or panel presentation is a lecture broken up into several parts; a demonstration is an acted-out lecture.)

But if the purpose is to bring about a change in the conduct, attitudes or ideas of the learner—which is frequently the case in adult education—you must involve the learner actively in the process. That is, you must use a discussion method.

This applies to the informal teaching which you do as an executive every day, as well as to any formal courses of training that may be under your supervision. If you want to transmit a fact to a subordinate, you simply tell him. If you want to induce a change in him (such as growth), you'll have to talk with, rather than at, him.

8. Adults want guidance, not grades.

Competition may be a spur to academic achievement among children (many educators question whether it is) but it certainly has a negative effect on adult learning. Most adults are apprehensive about their learning capacity because they

have been a long time out of school, and they have been assured repeatedly (if falsely) that you can't teach an old dog new tricks. If they are confronted with tests, grades and other devices for comparative evaluation of their progress, they will draw back from the whole experience for fear of being publicly humiliated.

At the same time, the adult learner wants desperately to know how he's doing. He needs to know whether he is learning correctly, whether he's doing it right, whether he has got the basic idea straight in his head, before he can continue learning.

Robert Luke, executive secretary of the National Association of Public School Adult Educators, recommends "guided self-evaluation" for adult learners.

"The adult should be encouraged to measure his own progress," says

Mr. Luke. "He knows better than anyone else what he set out to learn, and whether his performance has measured up to his goals."

Actually, it rarely does. Adults tend to set exacting goals for themselves; often, they bite off more than they can chew. They are impatient with their own errors, and easily become discouraged about their ability to learn. This means that they need as much praise as the teacher (or their superior) can honestly give them. If it is absolutely necessary to criticize an adult student, do it in strict man-to-man privacy—and always with a smile.

—LOUIS CASSELS

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## Nation's Business

# TAP HIDDEN TALENT 3 WAYS

This formula will help you uncover promotables already on your payroll

YOUR COMPANY'S ability to compete in the complex climate of the 1960's may depend on how well it is able to tap all sources of management talent.

Colleges are the greatest resource for producing the kind of broad-gauge thinkers that today's business requires, but it is becoming clear that colleges alone cannot fill the growing demand for top-caliber executives.

This means business will have to look elsewhere for talent. A logical place to start is among your present employees. This frequently overlooked source may yield as many trainable managers as do the colleges, if care is taken in singling out those who can absorb executive training.

Techniques for gauging how much training a man can absorb are far from perfect but, by applying a three-step program, you can eliminate much of the guesswork. The three steps are:

- ▶ Review the man's history.
- ▶ Observe him on the job.
- ▶ Use tests selectively.

An advantage of searching for talent in your own ranks is that employees can be observed for a long time. Evidence can be gathered to indicate whether they are trainable for upper-echelon jobs. On the other hand, decisions to hire college seniors are usually made fairly quickly and on the basis of indirect evidence.

This doesn't mean that colleges will become less important as trainers of potential executives. It does mean that a reliable secondary source is available to most companies in their own back yards. What's more, knowing how to make the most of this secondary source enables firms to be choosier than ever at campus interviews.

## **Who can be trained**

*Historical clues:* Several features in an individual's background can point to good training prospects.

Since we're trying to predict future educational performance, the record of his past schooling is of particular interest.

In general, the more education a man has, the more likely it is that he can go further. Although many capable people are forced to curtail their educations for reasons beyond their control, the hard truth is that most people end their schooling because they can absorb no more. People who could have gone further are exceptions to the rule and, of course, it is precisely these exceptions you're looking for.

School grades are notoriously fallible indicators of ability. Still, they can provide some useful leads. For example, consistently high grades through high school and the first few years of college suggest that, if a worker without a degree had had the chance to do so, he could have gone all the way. Mediocre or poor grades, particularly if they tended to get lower as the individual got into more advanced courses, suggest that he was bumping into his intellectual ceiling. Fluctuating grades indicate an inability to concentrate, a condition that may have cleared up with the passage of time.

Given enough time, most men will outgrow emotionally immature attitudes that prevented them from making the most of their earlier educational opportunities. But by then it is often too late to do anything about it, and without a college degree they find their careers stalled well below the level of their capabilities. But their underlying potential is still there. If given a second chance many of these people can do well in executive training programs. So can the intelligent older supervisor who graduated from high school into the middle of the depression and never had an opportunity to go to college.

One of the best proofs that a man can absorb further education, and that he is emotionally ready for it, is a history of having actually tried to get more on his own. The man who takes correspondence or extension courses, or who does lots of heavy reading, often does so because he feels a hunger for better

mental tools to work with. Of course, this kind of evidence of trainability is far more impressive when the individual keeps plugging away and does well at it than when he loses interest or doesn't seem to get much out of his studies.

*Observational clues:* Good brainpower signals its presence in a variety of ways that alert managers can learn to recognize. Once you know what to look for, most of the clues are easy to detect—too easy, in fact. A manager who lets his enthusiasm run away with him can see all of these signs in someone who actually has little potential. The moral is plain: Be doubly skeptical in evaluating the performance of men whom you happen to like.

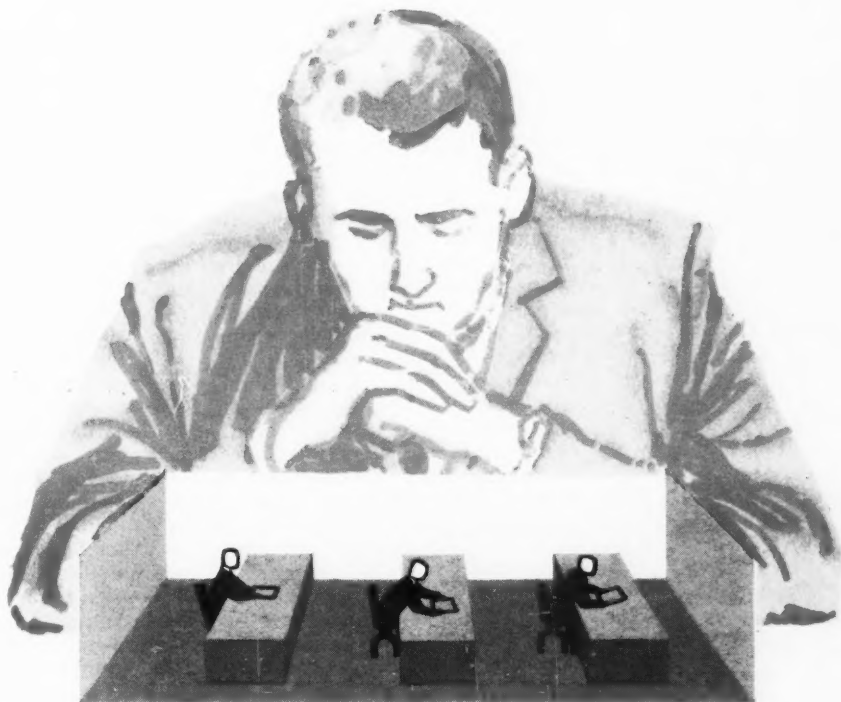
One of the principal ways in which a good mind will reveal its agility is by working out better methods of handling routine problems. Ingenuity on the job can be a sort of miniature version of executive-level thinking: Both call for a broad view of the job's objectives and a willingness to approach them from a fresh viewpoint. Not infrequently, a bright individ-

ual's ingenuity on the job may go unsung for a long while; he may not call attention to his better way of doing things because it seems to him too obvious to mention.

It pays, therefore, to take a closer look at how supervisors are handling their routine problems—and their unexpected problems, too. One favorite hiding place for ingenuity is in a high productivity rate. Careful analysis will often show that one supervisor gets more done than most others because of special techniques he has worked out for himself rather than because of extra skill or greater effort.

Another good place to look for ingenuity is in the suggestion box. The fellow who keeps coming up with simple solutions to knotty problems or one whose ideas strike at the heart of long-standing difficulties may be capable of handling executive problems in the same way.

Yet another clue to trainability is speed of adaptation to unfamiliar situations. The introduction of new systems or equipment gives managers a chance to observe how quickly supervisors adjust to different ways



Proper evaluation of present employees will help fill demand for top-caliber managers which cannot be met by colleges alone

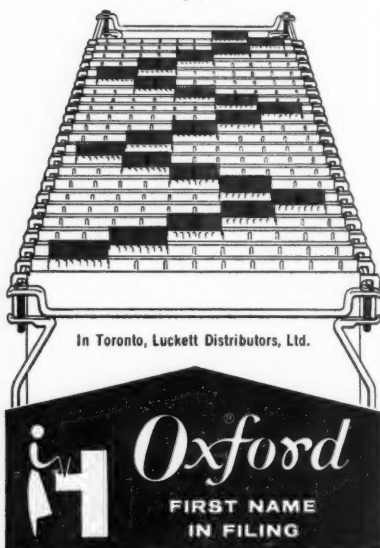
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## HIDDEN TALENT

continued

of working. This is usually easiest for the man who is a thinker with a lively curiosity about his job. Learning comes easily to him because he is eager for it.

The old saw: "Those that can, do; and those that can't, teach" is an unreliable guide. As a matter of fact, the man who has learned a new technique better or more quickly than the rest is often sought out by his associates for advice or instruction. What's more, explaining a new idea to others often makes it clearer to the explainer. By delegating promising supervisors to instruct others in new techniques, and observing how well they handle such assignments, you can pick up useful clues of their learning ability, poise and leadership.

**Test clues:** The standardized test of intelligence or of academic achievement is the most accurate single instrument for gauging the trainability of potential executives. Nevertheless, tests should be used only where other kinds of evidence give strong indications of trainability. Under no circumstances should tests be the only criterion.

There are two basic reasons for restricting the use of tests:

First, even the best of tests has a sizable margin of error in predicting so complex an outcome as performance in an executive training program.

Second, overenthusiasm for tests in the past has led to some serious fiascos. This has been particularly true when companies launch wholesale talent hunts in their organizations by indiscriminately giving tests to everybody.

When this is done, many individuals are angered by what seems an arbitrary and unfair way of evaluating them; others are humiliated by their inability to handle some of the harder test questions. Despite assurances that their scores will have no real influence on their future status in the company, many individuals will believe otherwise—and will blame management for letting itself be biased against them.

Wholesale testing can, in other words, lead to wholesale morale problems that only time can dispel.

It might be worth the risk, if such a testing program were likely to turn up some promising executive talent that might otherwise have gone unnoticed. But it is more likely that the men who get the top

scores will already have caught the eye of an alert management through astute handling of their jobs. True, someone who hadn't attracted much notice previously will occasionally chalk up a top test score, but these hidden nuggets often turn out to be types who lack the drive to put their good intelligence to work.

Many managers, of course, aren't as proficient in sizing people up as they ought to be, and it often seems easier and more scientific to turn the whole problem over to testers. This is neither sound management nor sound testing.

It is wiser to use testing as a check on the judgment of managers who feel that they have detected signs of executive trainability in an individual. The main advantage of tests is their objectivity. Tests cannot be swayed by the way a man parts his hair or wears his tie or any of the other irrelevancies that can affect the thinking of even the best executives. When a supervisor who has distinguished himself on the job gets a good test score, it may come as no surprise; but the purpose of testing is not surprises but added assurance that real capability for training is there.

It is important neither to belittle the tests nor to exaggerate their importance. He should understand that management is interested enough to want some special measurements of his potentialities but is in no way committed to promote him if he scores well or not to promote him if he scores poorly. Wherever possible, offer to let the man discuss his test results confidentially with the psychologist who interprets the scores to management.

A judicious mixture of historical, observational and testing clues provides the best approach to identifying men who can profit from executive training.

Management can supplement its collegiate sources of talent from within its own organization, thereby boosting morale by demonstrating its intention to reward ability wherever found. Perhaps most important of all, this method keeps the responsibility for identifying worthwhile training prospects where it belongs—in the hands of management itself.

—SAUL W. GELLERMAN

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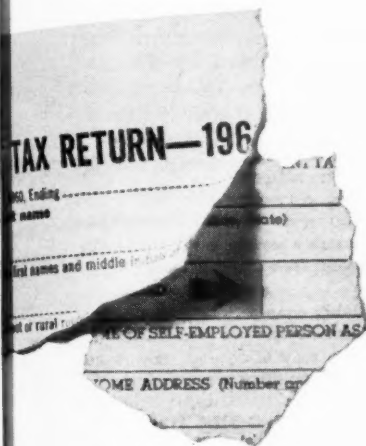
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# HOW TO PICK YOUR SUCCESSOR

Here are some do's and don'ts to guide you in this important decision

A TOUGH JOB is just ahead for most American businesses: to pick successors for top managers.

At least half of the people now heading our large companies are older than 59. In smaller companies, especially those which are family-owned, the average top management age is even higher. The men who took command during World War II and the early postwar years are nearing the end of their active business lives.

Within the next few years, new and younger men will have to take over. In many businesses these men will be only five to 10 years younger than their predecessors, will have worked for them many years, and will have shared most of their experience. In other businesses we will see a generation jump from a retiring president old enough to have served in World War I to a new president so young that for him the depression of the 1930's is hardly more than a childhood memory.

The problem of succession will be crucial, too, in jobs below the level of company president.

## **Risks of automatic succession**

In many companies the change will seem to be almost automatic. One man retires and the next in line moves up—and so on throughout the organization. But being next in line is not a good enough reason to move into the president's chair. It is one thing if the new top man had been put, with planning and foresight, into the number two spot because he was the right man to succeed to the top job.

It is quite another if the number two man was chosen simply because he was number two man.

"Automatic succession is the greatest single reason for top management failure," an old and experienced

management adviser, a veteran of many succession decisions, emphasizes.

And one of the most successful investment advisers has a simple rule: "Whenever we hear of an automatic succession, we take the shares of the company off our recommended-to-buy list regardless of how good its prospects seem to be. We first want to see how the new top management proves itself."

The top job, even in a small business, is a big job requiring a big man. What are the qualifications? We have good, comprehensive tests to find first-line supervisors in the shop. We have a pretty good idea of what it takes to be a successful regional sales manager. But there are, apparently, no tests for men at the top. During the past few years, when the problem has been so real and so urgent for many top management people as well as for the people they select, I have looked at a good many mistakes. I have also seen some excellent choices.

There are some definite rules, some definite things to avoid, some guides to a successful choice.

The most common mistake in picking a successor to top management is to look for a younger copy of the incumbent.

The man who is today what the present top man was like 10 or 15 years ago is probably the wrong man for tomorrow. We do not know much about tomorrow but we do know that it will be different. We know that it will pose different problems and open different opportunities. The qualities that made for success in the past 15 years are not necessarily the qualities that will be most appropriate in the next 15 years.

Perhaps a non-American example demonstrates this most clearly. The men who are now at the top of Germany's businesses are the men who rebuilt and reconstructed a war-shattered economy. They were people who knew how to get production going in a hurry. This (we hope) is not going to be the main job of the next management generation in Germany. That generation will inherit a rebuilt, strong and prosperous economy—but will have to fit this economy into a European Common Market and into an international drive for rapid economic development.

**PETER F. DRUCKER**, the author, is internationally known as an authority on problems of business management. His book, *"The Practice of Management,"* is one of the classics in the management field.

Just as bad as looking for a younger copy of today's chief is the mistake of making a head man out of the successful assistant. There are, of course, assistants and assistants; the title by itself means little. If the assistant was really what the word means, that is a "helper," then he certainly has not been tested in that most important top management qualification: the ability to be on one's own, to make a decision and stick to it, to take ultimate responsibility and yet sleep well.

Until a man has actually been under fire, an old military proverb says, there is no way of predicting whether he will make a soldier or not.

#### **Why experience counts**

The same is true of a management position. Unless a man has been in the spot where he had to make the decisions and take responsibility for them, he has not been tested. He usually has not even been trained.

The typical assistant, no matter how able an analyst, or how brilliantly he carries out the boss's decisions, has not been under fire. He may work out but again he may not.

Another common tendency is to look for the man who has no weaknesses and no enemies, who is acceptable to everybody and who has never made a mistake. But the man who has no weaknesses most likely has no strengths. The man who has made no enemies has never done anything that required decision, courage and leadership.

Of course, you do not select people for their weaknesses or because everybody hates them. The man who cannot get along with anybody may be a real genius. But he does not belong in a management position. He belongs by himself in a corner of the laboratory.

However, you do not pick a successor by what he does not have—and weaknesses are the absence of qualities. The "do's" for picking a successor intelligently are simple.

The first one sounds almost trite: Think through what kind of man or what combination of men and their qualities are most likely to be needed in the years ahead. That these years will differ from those we have been through, you can take for granted. But is there any way to envision in what way they might be different?

The best illustration of an approach to succession on this basis was the way in which General

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## YOUR SUCCESSOR *continued*

Motors picked its new top management two years ago. Frederick Donner was made chief executive officer even though he lacked what had hitherto been demanded of the top man in GM—the experience of having developed and managed one of the major operating divisions. All his working life he had been an inside man, working on the headquarters financial staff.

But, as the General Motors board of directors made clear in its announcement, Mr. Donner was chosen in a deliberate break with tradition, based on an appraisal of the main jobs ahead for GM top management in the next 10 years or so—jobs in the field of policy-making, finance and so on. He was not chosen, in other words, because he was necessarily "the best man." He was chosen because he was the best man for the times. In every decision about men, and especially in a promotion into the top ranks, never talk of a "good man." Always ask: Good for what? And is that what we are most likely to need?

Closely connected with this is a second rule: Choose people for their proven performance, not for their promise. By the time a man is up where he is being looked over for a top management job, the time of promises should be over. By that time he should be a performer rather than a hope.

I have seen a great many promising men put into top management positions in the past 20 years. Rarely have I seen one who delivered on the promise.

I have seen many unspectacular-looking men perform exceedingly well. They had, over the years, shown that they knew how to perform. "What has this man done?" is not the only question to ask. Yet, in picking somebody to head a business it is a question that should never be left out.

### Find a man's strength

The third rule is: Look for a man who has strength. You can, after all, build only on what you have. You cannot do much with what you do not have. The real question in picking a successor, especially to top management, is therefore: What strengths does this man have? Are they the right strengths? Are they adequate to the job? Does he know how to use them and make the most of them?

Richard Wagner, one of the great-

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est opera composers of the Nineteenth Century, had a weakness which, normally, would disqualify him entirely from being a musician. His ear lacked absolute pitch. But there are thousands of people with absolute pitch who cannot write one line of first-rate music. Wagner had the strength of musical imagination and musical invention and he knew how to use it. It was more than adequate to offset what, by the book, should have been a fatal defect.

What, however, are the strengths to look for? Normally we tend to look for such things as special technical knowledge or experience in finance. These are important areas—but they should not be decisive.

First, we do not really know what the future will be like. Therefore we are not at all certain that yesterday's qualifications of knowledge and skill will really apply to tomorrow.

Second, a man in a top management position, even in a small business, can make knowledge and skill available to himself. What he has to have—simply because he cannot obtain it elsewhere—are the basic qualities of judgment and integrity; ability to think and ability to act; respect for people but also willingness to do the unpopular if necessary.

Therefore, the ultimate test of the potential successor is simply:

"Would I be willing to put someone really close and dear to me under this man? Would I want him to model himself on this man? Would I entrust my son's career and future to this man and his judgment?"

In the last analysis, in picking a manager one picks a man, rather than a job title or a set of qualifications. In no other position in a business is the quality of the man so important.

Picking a successor is not only the toughest decision for top management, it is also probably the most important decision. It usually cannot be changed or bailed out once it has been made. There rarely is a second chance.

While everything else an executive has done in his job has become history by the time he retires, in training, testing and selecting his successor he makes his company's future.

END

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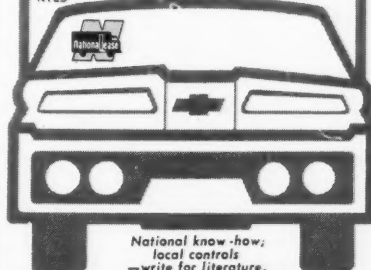
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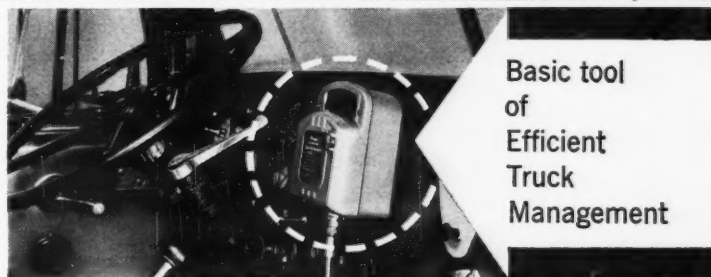
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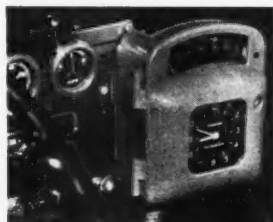


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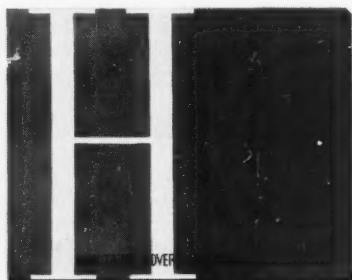
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## BUSINESS OPINION

continued from page 12

me very much. The philosophy behind it implies a title such as "The Rise and Fall of the United States of America."

It is frightening to see county and state governments continually give away authority and responsibility, money and power, to the federal government. It's frightening to see pressure groups and geographic areas rely on the federal government for federal handouts to depressed areas, schools, hospitals, control of interstate waterways.

Why should our local government give away our taxes to the federal government, and then have the federal government turn around and give the money back to us, plus telling us how to spend it? Also, to get our money back we have paid the salaries of government bureaucrats—government middlemen—to handle it for us. This means in effect we get less of it back.

As we give the federal government more power, more of our money, and ask for more handouts, we lose the right to control our own destinies, for whoever controls the purse strings controls our way of life. As the government becomes more powerful the people become less powerful, with less to say about problems which vitally concern them.

America became great through hard work, sweat, blood, and tears. It will decay from federal handouts and giveaway programs.

JOHN W. MARSMAN  
Yonkers, N. Y.

The editorial [January] was most interesting and I would like to reprint this in our February issue of *Surveys*.

E. H. O'CONNOR  
Managing Director  
Insurance Economics Society  
of America  
Chicago, Ill.

Your editorial [January] well expresses the sentiments of the insurance industry regarding federal health insurance plans.

C. F. SCHEER  
Public Relations Director  
Zurich Insurance Company  
Chicago, Ill.

### Spread of communism

You are to be complimented on the graphic presentation dealing with the cancer of communism and its encroachment to our very doorstep [February].

I hope that it will help in awakening America's businessmen to the apparent fact that they, as business

# WALLS LEAK?

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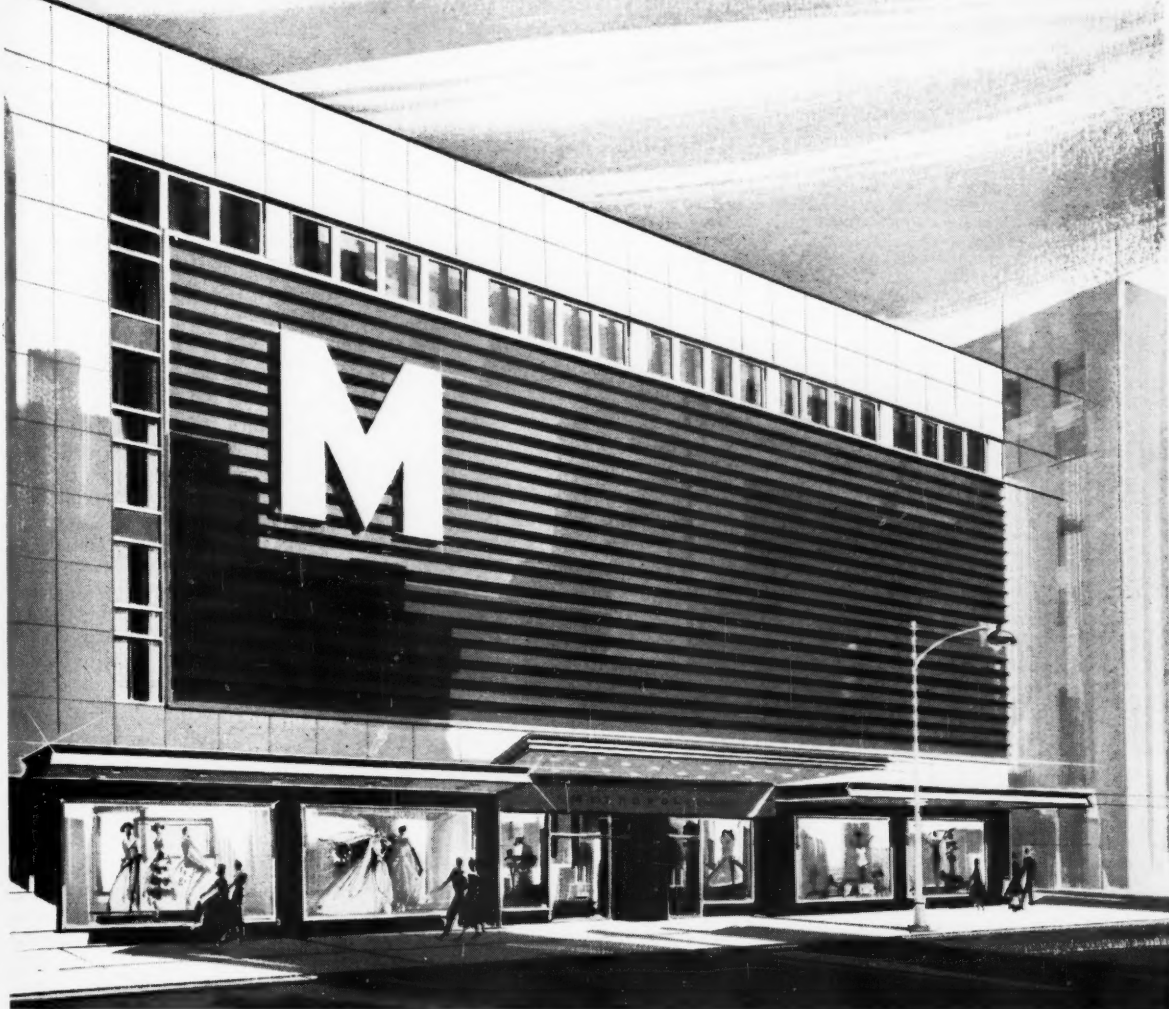
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CLIMATE BY CHRYSLER



Metropolitan apparel store, Dayton, Ohio. Architects: Coates Weiler and Wagenknecht. Contractors: Chas. H. Shook, Inc.

## Two separate Chrysler Packaged Air Conditioners cool each floor in Dayton's largest apparel store

One large air conditioner could have done the job. But Metropolitan, Dayton's largest family apparel store, decided on two 30-HP Chrysler Packaged Air Conditioners for each floor of the building. The reasons are interesting:

First, for economy. One 30-HP Chrysler unit can handle the cooling load on all but the hottest days. It costs less to operate this unit at maximum capacity than it does to run a much larger unit at reduced efficiency.

Second, for flexibility. When cooling loads are less, the Chrysler units can be operated efficiently at as low as 25% of capacity—compared with 50% for other equipment. And with separate units, ideal conditions can be maintained on each of the floors, independently of the others.

Third, for protection. The stand-by unit is always ready to go

to work whenever outdoor temperatures rise to their peak.

Why was Chrysler equipment specified? Because installed cost is low . . . and operation is more economical. And because Chrysler, the pioneer manufacturer of packaged air conditioning equipment, offers the top quality unit for any building need. Before you select *your* air conditioning, check with your local Chrysler Dealer.



Chrysler Corporation, Airtemp Division, Dept. EF-31, Dayton 4, Ohio  
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## BUSINESS OPINION

continued

leaders, can no longer afford the luxury of remaining silent on this issue for fear of offending some stockholders, customers or employees.

CHARLES MICHALS  
Kentfield, Calif.

### Imagination and courage

The article by E. E. Jennings, "What it Takes to Build Leaders" [January] seems particularly appropriate to me, perhaps because this fall I was involved in some political fund-raising. I was appalled at timidity, unwillingness to risk or offend, and careful nonpartisanship—amounting less to neutrality than to a neuter condition—which I encountered, both among businessmen and so-called political leaders.

Personally, we have found that the imagination and courage to risk innovation and the criticism usually attendant upon trying new things to be our major competitive advantage in slicing our way to achieve long-term growth and distinction.

V. H. POMPER  
Vice President  
H. H. Scott, Inc.  
Maynard, Mass.

### Cost of knowledge

We are subscribers to NATION'S BUSINESS, and wish to comment on the importance this publication has played in helping our business. While we are a small business we certainly have studied and found of tremendous value many of the statements and articles in your book.

Essentially its importance in helping us to determine whether to grow, to move, how to handle our credit, and various other items have given us knowledge well above our initial cost and I am certain this knowledge would have cost far more than we could have afforded.

JAMES W. HENRY  
Olympic King Sporting Goods  
St. Louis, Mo.

### Election may be lost

We are much impressed by the editorial "This Election May Yet Be Lost" [December]. May we reprint it for circulation to all of our people?

LEONARDE E. PASEK  
Kimberly-Clark Corporation  
Neenah, Wis.

We have just read your editorial. We feel that everyone would benefit by reading it.

J. F. PIERATT  
Continental Oil Company  
Houston, Texas





## THE BUSIEST WHEELS IN YOUR CITY

Every day, hundreds of your citizens must make phone calls when they are away from their office or home. Often, their search for a building with a phone booth takes them many blocks and many minutes.

To solve this problem, progressive cities all over our nation have had planned networks of new outdoor telephones installed on their public property.

These outdoor telephones not only give 24-hour service and protection, they also add extra revenue to your city's treasury—without adding one cent to your municipal tax burden.

Learn how outdoor telephones can serve your city profitably. Call your local Bell Telephone manager. He'll be pleased to arrange for a prompt, custom-designed telephone plan for your city.



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# The false magic of miracle money

OUR ECONOMY has just undergone a searching physical examination. Probably no patient in history has said "ah" and had its pulse counted by so many specialists who found symptoms of such a variety of ailments.

But whatever the diagnosis, and in whatever economic organ the sickness, the specialists wrote the same prescription:

"Miracle money."

This unanimity of professional opinion must be based on the belief that passage through Washington gives tax dollars magic curative properties that they lacked in the localities from whence they came.

Dollars so treated are expected to build schools, homes and factories that they did not build before they were federally processed.

Reliance on this remedy will be disappointing and dangerous.

For the 100 so-called depressed areas, as an example, where the need is for jobs, government money is the wrong medicine. It can build plants or streets or sewers, but it can't create ideas. And ideas are what jobs are made of.

More employment will come in depressed areas—as elsewhere—when men with ideas for new or better goods or services hire workers to produce them. Such men are too few to go around.

Thousands of alert communities are constantly seeking new plants. Money might help depressed areas to join in the search but the

fact that government has singled them out as needing help may prove a handicap. Being nationally branded as depressed is not the best recommendation for consideration as a prospective plant location. Communities that are appealing most urgently for miracle money should keep this in mind.

Some communities are already aware of it. From one comes this reaction: "We are not a depressed area and we resent the insinuation that we are. We are red-blooded Americans, able to stand on our own feet and we do not ask, seek or want any dole from the federal Treasury.

"If we have problems, we are fully capable of handling them ourselves."

From another: "If we were to sit back and wait for federal aid, we would classify ourselves as nothing more than parasites. If we do not have any more pride in our community and our way of life, we have a very dim future."

Such spirit provides a base for sound government action to end local distress. In that action miracle dollars have no place. What's needed are the workaday dollars that go into pay envelopes.

True help for the unemployed in depressed areas and elsewhere will come from government programs of tax reform and reasonable regulation.

Without them, miracle money merely aggravates the ills it is naively expected to cure.

